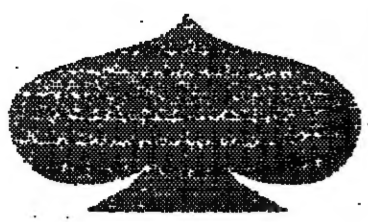
Oil prices
Can Opec agree to cut output?
Page 24



Computer services
Cap Gemini Sogeti in search of coherence
Page 9

European currencies
Why the crisis is deepening
Page 2

Clouds over Germany
● *'Once a foreigner, always a foreigner'*
Page 2
● *A spreading malaise in the corporate sector*
Page 15

FT NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY NOVEMBER 25 1992 — D8523A

Waigel unveils DM12bn aid for east Germany

German finance minister Theo Waigel announced a DM12bn ($7.5bn) package to help revive economic activity in east Germany. Its key element is DM10bn to support indigenous entrepreneurs. He insisted it would make no difference to his net borrowing requirement next year. Page 14

Toxic flood threatens Danube: United Nations engineers are working to prevent millions of tonnes of toxic mine waste from poisoning the Danube river system after floods damaged a dam in the mountains of Montenegro, the former Yugoslav republic. Page 14

Weinberger pleads not guilty

Former US Defence Secretary Caspar Weinberger (left) pleaded not guilty to the latest charge against him of obstruction, perjury and making false statements in the Iran Contra affair and asked for a trial by a judge rather than a jury. Another charge of making false statements to Congress was made on October 30.

US reports name Mark Thatcher: A former senior White House official said US intelligence reports suggested that Mark Thatcher, son of former UK prime minister Lady Thatcher, was connected to "the organisation and negotiation of arms transactions to Saudi Arabia" in the 1980s. Page 6

GM's debt rating lowered: Embattled US carmaker General Motors suffered a potentially costly financial blow when credit information agency Moody's Investors Service lowered its ratings of the company's debt. Page 16

French MPs to vote on farm deal: A French parliamentary vote today against the US-EC deal on farm trade became a certainty as the three main opposition parties laid down a resolution calling on the government to veto, if necessary, the Gatt agreement. Page 5

Japan's money supply contracts further: Japan's broad money supply fell last month for the second month in a row. The 0.6 per cent contraction – the largest drop on record – is a sign that the economic slowdown is tightening its grip on the country. Page 5

Boeing to cut production: US aerospace company Boeing plans to reduce the production rate for its 757 and 767 commercial aircraft, with the loss of about 2,500 jobs next year, because of the soft market for new aircraft. Page 17

IMF may back tighter Russian strategy: The International Monetary Fund is likely to support a more interventionist economic strategy for Russia, according to officials close to negotiations for a new coalition government. Page 14

Hachette revises merger terms: Heavily indebted French media group Hachette has revised the terms of its proposed merger with defence electronics company Matra and completed plans for its own FFr900m ($165m) capital increase. Page 15

Continental recovers: German tyre company Continental predicted a "significant profit" for 1992 after suffering a loss last year and said it would concentrate on export markets to compensate for an expected decline in its domestic market. Page 15

Surge in US orders: A 3.9 per cent surge last month in US durable goods orders added to signs that the US economy has embarked on a steady, if not yet ebullient, recovery. Page 4

Sara Lee in talks with BP: US textiles, food and consumer products company Sara Lee is negotiating to buy British Petroleum's consumer food group, part of BP Nutrition. Page 15

Downturn at TDK: The world's largest manufacturer of magnetic tapes, TDK, reported a 34.5 per cent drop to Y18.17bn ($146.5m) in consolidated half-year pre-tax profits, reflecting broad weakness in electronics markets. Page 18

Spanish railway bomb defused: Spanish police defused a bomb near the French border on the main railway line from Madrid to Irun after a warning had been telephoned to a Basque newspaper.

Former FT editor dies: Archibald Chisholm, editor of the Financial Times from 1937 to 1940, has died at the age of 90. Page 6

■ STOCK MARKET INDICES		
FT-SE 100	2,727.1	(+4.2)
Yield	4.42	
FT-SE Eurotrack 100	1,038.83	(+0.45)
FT-A All-Share	1,292.39	(+0.1%)
Nikkei	17,896.80	(+62.49)
New York lunchtime		
Dow Jones Ind Ave	3,257.35	(+34.31)
S&P Composite	428.68	(+3.56)
■ US LUNCHTIME RATES		
Federal Funds	2 7/8 %	
3-mo Treas Bills: Yld	3.312%	
Long Bond	100 1/2	
Yield	7.538%	
■ LONDON MONEY		
3-mo Interbank	7 1/4 %	(7 1/8 %)
Liffe long gilt future:	Dec 100 3/4	(Dec 100 1/4)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Jan)	$19.675	(same)
■ Gold		
New York Comex (Nov)	$334.3	(334.4)
London	$334.95	(334.35)

■ STERLING		
New York lunchtime:		
$	1.518	
London:		
$	1.5185	(same)
DM	2.43	(2.4325)
FFr	8.2675	(8.2575)
SFr	2.18	(2.185)
Y	188.5	(same)
£ Index	78.7	(78.5)
■ DOLLAR		
New York lunchtime:		
DM	1.6035	
FFr	5.451	
SFr	1.4395	
Y	124.875	
London:		
DM	1.601	(1.602)
FFr	5.443	(5.4375)
SFr	1.436	(1.439)
Y	124.1	(124.15)
$ Index	65.9	(65.6)
Tokyo close Y 124.5		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00		
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR11		
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10		
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.60	Spain	Pta200		
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14		
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00		
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00		
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50		
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250		
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 22,000	Turkey	L6000		
Germany	DM3.20	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00		

Opel offers DM100,000 reward over arson attack

By Quentin Peel in Bonn

OPEL, the German subsidiary of General Motors, offered a reward of DM100,000 ($62,500) for information leading to the arrest of the arsonists responsible for an attack in which two Turkish girls and their grandmother died.

The company, which also offered DM50,000 to the family of the victims, said its action was intended as "a small symbol of solidarity with all foreign citizens living in Germany, and with the company's Turkish employees".

The offer by Opel follows a wave of national revulsion at the weekend fire-bombing at Mölln, near Lübeck. Underlining the contribution of some 1.8m Turkish migrant workers and their families to the German economy, the company said that "without their help, the achievements of the German automobile industry over the last several decades would not have been possible".

The move coincided with a call from President Richard von Weizsäcker for the destruction of "rightwing radical cells" in the country.

During a state visit to Mexico, he appealed to all Germans in a television interview to "wake up and help [to combat xenophobia] by paying attention to their neighbours, and their own households".

There were spontaneous demonstrations against racism in several towns, and a minute's silence in the German parliament to mourn the victims.

There was also continuing sharp criticism of the lack of official action to clamp down on violence against foreigners, voiced by leaders of both the Turkish and Jewish communities.

Action against radical rightwing groups is expected before the end of the week, as the latest killings appear finally to have galvanised the government.

Until now, the parties in the ruling coalition have concentrated on how to curb the soaring numbers of would-be immigrants entering Germany under its liberal political asylum laws.

As two further attacks by skinheads on Turkish workers were reported yesterday, the Turkish government and community leaders demanded more protection.

Some 40 Turks occupied the party offices of Mr Helmut Kohl's ruling Christian Democratic Union in Hanover, accusing the party of "co-responsibility for a fascism-related murder".

Mr Ignatz Bubis, leader of Germany's 40,000-strong Jewish community, called for demonstrations against the government.

A German Jewish writer, Mr Ralph Giordano, claimed that Jews were starting to arm themselves in self-defence.

Strangers in land of unification, Page 2

Bonn stance on monetary policy hits rate hopes

By David Waller in Frankfurt and James Blitz in London

HOPES that Europe's faltering economies would receive a boost from an early cut in German interest rates were dealt a blow yesterday with the publication of figures showing a sharp rise in the growth of the country's money supply.

There was also growing scepticism over suggestions that proposals by the European Commission to stimulate growth would attract new capital.

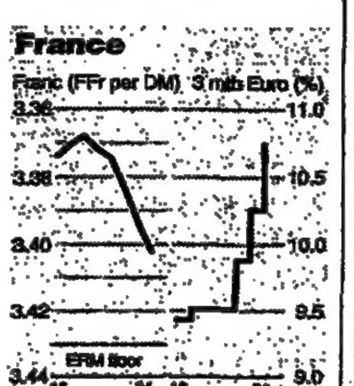
Mr Norman Lamont, the British chancellor of the exchequer, dismissed reports that he was masterminding a multi-million pound programme of infrastructural projects as part of an expansionist "dash for growth."

Declaring himself "quite astonished" at claims that European Community finance ministers had discussed figures as high as £50bn ($75.5bn) to finance such a scheme, he insisted, in an interview on BBC radio, that no figures had been mentioned at Monday's meeting.

Officials at the European Investment Bank also questioned the role the EC Commission has proposed for it in funding a European growth package.

Mr Lamont conceded that there was increasing concern about the possibility that Europe was entering an economic slowdown. But he added: "The most important thing that we could actually do for the European economy would be to have lower German interest rates."

European leaders have shown increasing impatience with the



Bundesbank's policy of keeping its official interest rates at a ceiling of 8.5 per cent, a level that makes it difficult for Germany and other governments to encourage an economic recovery.

The Bundesbank's unwillingness to ease monetary policy also compounded a gathering storm inside the European exchange rate mechanism.

The Bank of France intervened twice on the foreign exchanges yesterday, buying the French franc, after the currency fell against the D-Mark below FFr3.40 for the first time since October.

Both the Irish and Danish central banks were also forced to intervene on the foreign exchanges for the second day running after their currencies fell to their ERM floors against the Belgian franc, one of the strongest currencies in the system.

Continued on Page 14
Background, Page 2
Currencies, Page 36

Countries divided on how to stimulate Europe's economy

Doubts over EC growth package

By Lionel Barber in Luxembourg and Ivo Dawnay in London

THE EUROPEAN Commission's campaign for a growth package to stimulate investment in the flagging European economy faces a test of credibility in the coming weeks, EC officials said yesterday.

The Commission won a political victory on Monday when EC finance ministers agreed to explore proposals for a package which combines generating capital investment with closer co-ordination of economic policy by member states.

The proposals are to be considered at next month's EC summit in Edinburgh, but member states led by Germany are certain to challenge some of the Commission's assumptions, particularly the contention that no significant deficit financing by governments will be involved.

Officials at the European Investment Bank in Luxembourg also questioned whether it could do more to encourage investment in transport, telecommunications and other infrastructure projects along the lines proposed by the Commission. The EIB provides long-term fixed-rate interest loans for projects such as the Channel tunnel.

Despite widespread concern about lower growth in the European economy next year, member states are divided on the best approach to a growth initiative, vague on details and reluctant to let the Commission take the political lead.

Germany, whose support is vital if an EC-wide growth package is to work, this week dampened expectations. Mr Horst Köhler, Germany's state secretary for finance, said: "We will constructively join in the discussions, but this is not the time for deficit-financed economic programmes."

The UK position is ambivalent. British ministers do not want to alienate their EC partners but officials voiced alarm after Mr Henning Christophersen, EC economics commissioner, told reporters that between Ecu50bn and Ecu60bn ($60bn-$70bn) was needed to "move" the community's economy.

Yesterday Britain acted to quash hopes of substantial funding to stimulate growth, stressing instead the need for co-ordinated economic planning.

In a BBC interview, Mr Norman Lamont, the chancellor of the exchequer, dismissed reports that he was masterminding a multi-million pound programme of infrastructural projects as part of an expansionist "dash for growth".

Declaring himself "quite astonished" at claims that finance ministers had discussed figures as high as £50bn to finance such a scheme, he said no figures had been mentioned at the meeting.

The British presidency is clearly keen to be seen by its continental partners as taking positive action. Addressing the home audience, however, the government does not wish to be interpreted as abandoning its long-standing insistence on budgetary rigour.

Later in the Commons, Mr Douglas Hurd, the foreign secretary, stressed co-ordinated action but said the EIBcould provide more by means of loans and guarantees to support investment spending, "especially on projects such as trans-European networks" for transport.

Officials stressed later, however, that funding for such EIB projects was already in place and would not involve extra money.

Nonetheless, Mr Christophersen's remarks sparked talk of a Ecu50bn package to revive growth in Europe. EC officials said yesterday the Commission's proposals were more modest, and that the figure was "an absolute maximum".

German farmers at a protest meeting in Munich against EC farm trade reforms hold up a banner reading "this cabbage is hollow" – a play on Chancellor Helmut Kohl's name, which means cabbage in German

VW may cut dividend in wake of sharp profits fall

By Christopher Parkes in Frankfurt

VOLKSWAGEN, western Europe's leading car supplier, yesterday hinted that it might cut its dividend this year after a sharp downturn in the three months to September 30.

Group net profit had risen almost 3 per cent in the first half but the fall in the third quarter left the nine-month profits figure at DM549m ($343m), 18 per cent lower than in the same period last year.

The main source of the setback was a 27 per cent drop in earnings at the German parent company, which has suffered, like other companies reporting in the past week, from depression in the domestic market.

VW said prospects for fourth quarter profits would be "drastically worsened" by recent European devaluations against the D-Mark and deteriorating conditions in almost all markets.

"This development will also have a negative influence on our dividend payment for 1992", it added. The group last year paid DM11 on ordinary shares and DM12 on preference stock.

Last weekend's 6 per cent devaluations of the peseta and escudo – not taken into account in the report – can be expected to reduce translated profits from Spain and Portugal, which the company says have recently recorded marked sales increases.

The slump in profits came despite an increase in group turnover for the period under review of 12 per cent to DM63.6bn and a 7.5 per cent increase in deliveries. Group output was 2.6m vehicles, a rise of more than 9 per cent.

Seat, VW's Spanish subsidiary, produced 17 per cent more vehicles, and Audi, the quality car division, increased output by 13 per cent.

The group, already implementing a plan to reduce its payroll by 12,500 over the next five years, said two plants, employing around 11 per cent of the workforce, would work short-time for two weeks around the end of the year because of falling orders.

Depressed international conditions have also prompted VW to slow its ambitious investment

Continued on Page 14
German corporate malaise
Page 15

Mercedes cuts

Short-time working is to be introduced in all seven of Mercedes-Benz's German car and car component plants for two weeks early in the new year, according to Mr Karl Feuerstein, senior *workers' representative on the* company's works council. The number of workers affected had not yet been decided.

Mercedes said it could not confirm Mr Feuerstein's statement.

The company, part of Daimler-Benz, which recently reported an 8 per cent fall in profits for the first nine months of this year, has 130,000 cars in stock – 35,000 more than usual.

CONTENTS

Bundesbank's caution fuelled by M3 growth

By David Waller in Frankfurt

GROWTH in Germany's broad money supply accelerated again last month, breaching 10 per cent for the first time since the M3 target was introduced in 1988 and adding to the widespread conviction that the Bundesbank will not cut interest rates when its policy-making council meets on Thursday.

However, there was speculation yesterday that the Bundesbank could today make a small symbolic cut in its securities repurchase rate, by which it provides short-term liquidity to the banks.

Provisional figures showed that M3 money supply climbed by 10.2 per cent in October, on a seasonally adjusted annualised basis, far higher than the Bundesbank's target range of 3.5 to 5.5 per cent.

This compares to 9.3 per cent in September and 8.8 per cent in August.

"The latest data will do little to foster the impression that monetary policy is about to ease, a situation which will undoubtedly put further pressure on the EMS," commented Mr Richard Reid, chief economist at Schweizerische Bankgesellschaft (Deutschland) in Frankfurt.

The Bundesbank said the main reason for the ballooning M3 growth in October was the especially large inflow of foreign capital during the second half of September. This reflected central banks' massive currency interventions during September's crisis in the European exchange rate mechanism.

Economists said it had already been clear that the effects of intervention in September had not been fully reflected in that month's M3 number.

They were discouraged however by the continuing strong demand for credit, which has climbed by 9 per cent on a seasonally adjusted basis over the last six months.

The Bundesbank blamed this on demand for short- and long-term credits which led to a DM21bn ($13.6bn) increase in bank credits to businesses and individuals in October, compared to an increase of DM17bn in September.

The Bundesbank has since the late summer sought to play down the temporary importance of growth in broad money, which includes cash, current accounts and short-term deposits.

For some months now it has been obvious that the M3 target for the year could not be met.

It has argued that it has been distorted by special factors such as currency market intervention and the effect of the inverse yield curve, where short-term interest rates have been higher than long-term rates, discouraging long-term saving and helping to boost short-term deposits.

However on Monday night Mr Johann Gaddum, a member of the Bundesbank council, argued that the excess growth in money supply could not simply be "argued away". He emphasised that inflation, running at 3.7 per cent a year, was unjustifiably high.

FT writers examine western Europe's rising tide of neo-Nazi violence

Strangers in the land of unification

AT FIRST Mr Huseyn Ozdemir did not want to give his name. "Times have changed. We are not liked any more," he said, sipping his tea and smoking Turkish cigarettes, writes Judy Dempsey in Berlin.

Mr Ozdemir is a former chairman of the Turkish Cultural Centre of Berlin in the working class district of Wedding in what was West Berlin. After Kreuzberg, it has the second largest Turkish community in the capital.

The community has been deeply shaken by the killing of three Turks in a firebombing attack in Mölln, near Hamburg, on Sunday night.

"I came here 30 years ago," he said in halting German. "The German government invited us here because there was a labour shortage. But what can I show for it? We have no political rights. It is almost impossible to obtain German citizenship. And in any case, it's what the Germans feel in their heart that matters. It's the colour of your hair and the shape of your face which they look at. Once a foreigner, always a foreigner," he said.

A Turkish television channel was humming away in the background of the large, cold room, home to the cultural centre set up 17 years ago to provide Berlin's 150,000-strong Turkish community with access to Turkish literature, music and newspapers.

Over the past year, the centre has served as a legal advice forum for Turks who say they have suffered intimidation.

On a table were scores of letters, many accompanied by police or court summonses. "The people who write these letters all speak about discrimination, racism, a sense of uncertainty," explained Mr Selim Incesimal, chairman of the centre. "Everything has changed since the collapse of the Berlin Wall," he said.

The seven young Turkish men in the centre – only one had German citizenship – said the Turks in Germany were paying the price for German unification.

"Because of growing unemployment in eastern Germany, we are blamed for taking jobs," said Rusmir, a 32-year-old gardener, who has been out of work for the past three years.

"This is ridiculous because in the past it was the Turks who did all the menial jobs. Don't tell me that the Germans wanted to do all that dirty work.

"Yet now, when we apply for jobs, we are turned down. It's hard to say if it's because of our nationality. But it's hard not to believe it," he said.

His colleagues believe that growing unemployment is fuelling right-wing extremism, even among the police. "This attack on the Turkish family near Hamburg is not an isolated incident," said Mr Ozdemir. Since the beginning of the year, 14 people have died following attacks on foreigners.

"My friend was attacked last week," said Mr Ozdemir. "We tell the police, sometimes. They say they will take action. But they are not tough enough with the neo-Nazis."

One of his friends interrupted: "Sometimes I think they sympathise with them. Sometimes I think they want us to go home. I will live here as long as I feel safe. But this feeling decreases every day," he said.

The sense of pessimism is not as deep, but it certainly exists in some of the small, smoke-filled cafes in the colourful district of Kreuzberg, which until 1989, skirted the western side of the Berlin Wall.

"I cannot say it's OK for us here now," said Dugan, a computer engineer and fluent German speaker who set up his own business five years ago. He says he is worried about his four young children, who speak German and attend a German school, because they are being intimidated by older German students. "I think it has something to do with unification. The East Germans had no experience of foreigners in the past. Now they are baiting us."

But when it was pointed out that official figures show most of the attacks on foreigners have taken place in the wealthy western Länder, he shrugged.

"Unification has reawakened German nationalism. It frightens me. It would help if the politicians openly condemned xenophobia and racism. But they always react too slowly," he said.

On Monday, however, the killings in Mölln jolted the political establishment into virtually unanimous outrage.

Many Turks insist they want to remain in Germany, despite the attacks.

"I have German citizenship, but I feel Turkish. It is my identity. I cannot deny that. But that does not mean I cannot contribute to life here in Germany. There is a third generation of Turks who were born here, yet they have no automatic right to citizenship. They are strangers in this land," said Dugan, who is 31 years old.

Strangers or not, many young Berliners are disgusted with the rise of the far-right, and the growing attacks on foreigners.

"What happened in Mölln was really awful," said Tomas, a 19-year-old student who lives near the cultural centre. "Have we learned nothing about our past?"

Grief: A Turkish woman passes the scene of the Mölln killings

Irish poll sidelines abortion questions

By Tim Coone in Dublin

THE "substantive issue" on which 2.5m Irish people are being asked to vote today is not unemployment, the currency crisis or even Northern Ireland.

Instead it is a curious euphemism coined by the political establishment to describe the most controversial of three simultaneous referendums on abortion to be held alongside today's general election. The word "abortion" does not appear once in any of the referendum texts.

Mercifully for the politicians battling to hold on to their seats in conservative rural constituencies, abortion has figured only marginally in the election campaign. But the outcome of the three referendums, and particularly that on the "substantive issue", could become one of the first battlegrounds for the incoming government.

Judging by the opinion polls, two of the referendums are expected to be passed by a comfortable majority.

The first concerns whether women should have the right to travel to obtain an abortion abroad. The second question is whether women should be entitled to receive information in Ireland on how to go about obtaining such an abortion.

The third referendum question – the so-called "substantive issue" – is whether limited abortion should be made available in Ireland in circumstances where "termination is necessary to save the life, as distinct from the health, of the mother..."

However, the threat of suicide – which was made in the controversial case of the 14-year-old rape victim refused leave by the High Court to travel to Britain last February for an abortion – is ruled out as adequate grounds for a termination.

The High Court argued that a 1983 right-to-life amendment to the constitution would be violated. The Supreme Court overturned the decision, ruling that suicide was a life-threating risk for the mother, but that in non-life threatening circumstances, injunctions could be sought to prevent women travelling abroad for an abortion.

This last referendum has upset lobbies on both sides of the abortion debate – the self-styled "pro-life" campaigners who will vote "no" to all three referendums, as well as the "pro-choice" lobby that favours liberalisation of legislation but feels the distinction made between the mother's health and her life is offensive and lays a legal minefield.

Mr Padraig Flynn, the justice minister, justified the distinction by saying that "the experience in other countries has been that grounds for abortion related to health, physical or mental, led to abortion on demand".

All the opposition parties, as well as the main women's groups and the Irish Congress of Trade Unions, are recommending a No vote on the "substantive issue" because they favour a legislative solution, rather than a constitutional amendment, to resolve the dilemma created by the Supreme Court ruling.

The Catholic Church hierarchy, which regards abortion as morally wrong, has been ambiguous, fearing that a No vote on the "substantive issue" would leave the Supreme Court ruling as the only basis for abortion legislation.

The opinion polls now indicate that the "substantive issue" could be narrowly defeated. So it looks as though the problem will go back once again to the politicians.

Speculators taste ERM blood again

By David Marsh
European Editor

THE European exchange rate mechanism (ERM) is designed to give governments and industry a stable and predictable framework for economic decision-making. However, after three realignments in 10 weeks, the only predictable characteristic of the ERM now seems to be its instability.

This week's unrest is both ironic and inevitable. Ironic, because several European countries now have lower inflation rates than Germany, which provides Europe's "anchor" currency, the D-Mark. These virtuous countries include two non-ERM members, Sweden and Finland, which have recently abandoned "pegging" arrangements against the European currency unit, as well as France and Denmark, whose currencies are suffering within the ERM.

Inevitable, because this autumn's round of European currency devaluations has now built up sufficient steam to become virtually self-perpetuating. In view of sluggish European growth, it is very difficult for governments to use tight monetary policies to counter the markets' belief that some currencies are over-valued.

Germany is much less keen than other countries to see a fall in the Bundesbank's short-term interest rates. The Bundesbank believes premature easing would lower its own anti-inflation credibility. Additionally, reflecting the mass of foreign speculative funds flowing into D-Mark bonds, Germany's long-term capital market rates – which have a crucial impact on corporate and government finances – have been falling steadily during the autumn crisis.

The Bundesbank is pleased that government bonds are now yielding around 7.3 per cent – less than 3.5 per cent above the underlying inflation rate – in spite of heavy reunification-induced public sector borrowing. At a time when the rest of Europe is complaining about the Bundesbank's high interest rates, Germany has thus found some shelter from the monetary storm it is accused of fomenting.

While Germany gains financial profit from the strength of the D-Mark, proclamations by finance ministers elsewhere in the EC that they will do "everything possible" to defend parities count for little. Convincing the markets is almost as difficult for countries with low inflation rates and healthy current account positions as for those with less convincing economic performances.

As Mr Kit Juckes, economist at S.G. Warburg in London, puts it: "France may have a lower inflation rate [than Germany] and stronger economic growth. The only economic 'fundamental' which counts is that nobody has enough growth. So no government is going to live with 15 per cent interest rates for too long. Like this, defending the system becomes unthinkable."

The size and number of recent exchange rate movements have had two important consequences, both tending to reinforce currency strains.

First, the changes in key European currency relationships – including those produced by the decisions by Britain, Italy, Sweden and Finland to float their currencies – have been large enough (of the order of 10 per cent or more) to enable currency speculators to reap large rewards. This has fired traders' desire to make fresh profits by carrying out further assaults on currencies deemed "weak". Just as important, the prevailing fear of fresh devaluations has made large companies reluctant to hold weaker currencies.

Second, the members of the hard-currency ERM "core" are facing growing competitive difficulties vis-a-vis the increasing number of countries which have devalued or floated. With European exporters' prospects anyway highly uncertain, the temptation to join the devaluation spiral is growing – above all, for countries which transact much of their trade with the devaluing nations.

Within the ERM "core", the most vulnerable currency is the Irish punt. Ireland sold 34.4 per cent of its exports last year to other members of the "core" (Germany, France, the Benelux countries and Denmark), while 41.6 per cent was sold to Europe's "soft seven" – Britain, Finland, Greece, Italy, Portugal, Spain and Sweden. Next in the firing line is Denmark, which sold 31.7 per cent of its exports last year to the "soft" club – against 34.8 per cent to the "core".

French exporters are also coming under pressure: 33.4 per cent of French exports go towards the "core", while 30 per cent last year were sold to the weaker currency group.

Mr Jonathan Wilmot of Credit Suisse First Boston in London believes the best solution for the ERM's travails would have been for Germany unilaterally to have left the system earlier this year. This would have allowed the D-Mark to float upwards – and allowed lower German interest rates. Now, he says, with the speculators closing in, France can only hope for a repeat performance of September's intervention support from the Bundesbank. – in circumstances which now seem less likely to guarantee success.

GERMANY

Firebombs and the ballot box

SYMPATHY for right-wing extremism appears to be increasing in Germany and more Germans are hostile to foreigners, writes Judy Dempsey in Berlin.

Attempts to explain the trend have become entangled with the debate about amending the constitutional right to asylum, the influx of refugees, and the government's slow response to rising violence.

At the last general election, in December 1990, the only extreme right-wing party to campaign was the Republicans, which gained 2.1 per cent of the vote but no parliamentary seats. This was well below its 7.2 per cent of the vote in European elections in 1989. The party won 10.9 per cent in Baden-Württemberg's state election last April.

The other significant right-wing movement, the Deutsche Volksunion won state representation in Bremen last year, with 6.2 per cent and in Schleswig-Holstein this year with 6.3 per cent.

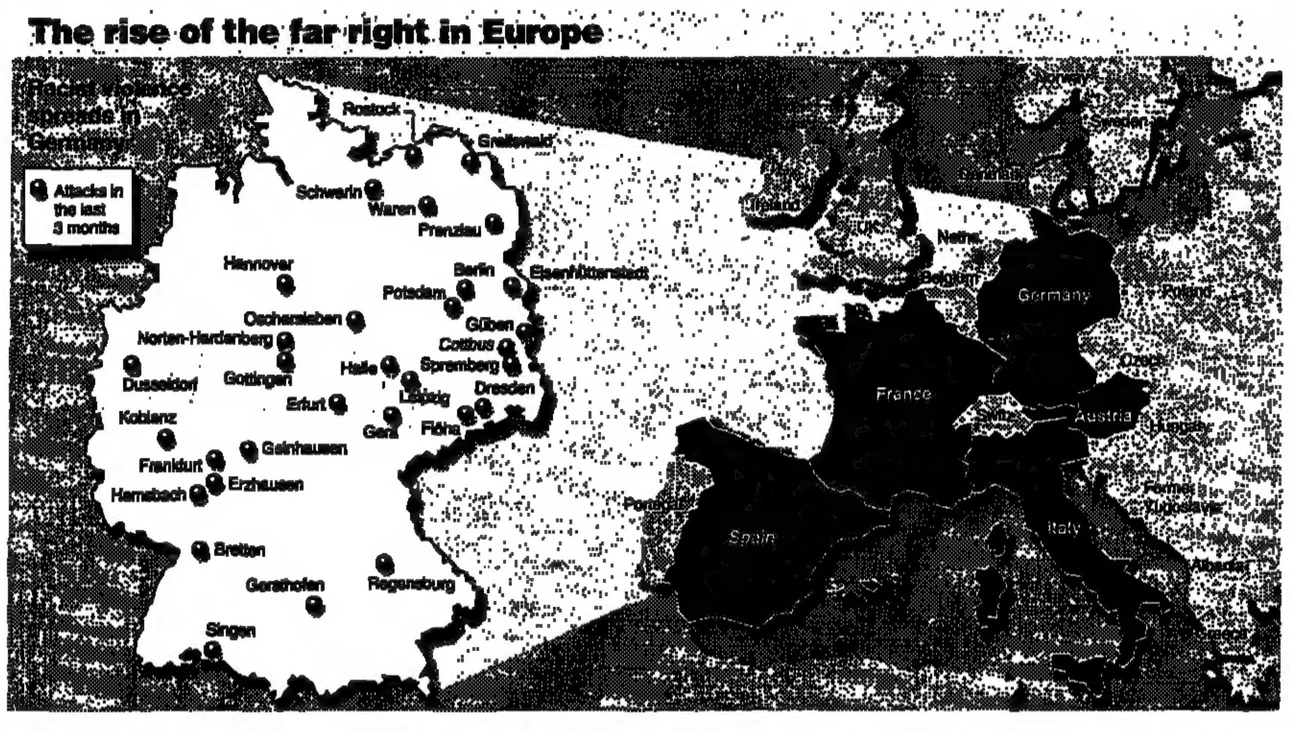
Neither party has made a real breakthrough in eastern Germany, although more neo-Nazi groups have been gathering support, especially among unemployed youths.

Attacks on foreigners are rising: in the first half of this year, 1,443 criminal acts against foreigners were registered, compared with 2,427 for the whole of last year and 246 in 1990.

This year, 11 people have died in apparently racially motivated attacks. More than 30 per cent of the registered crimes were arson and bomb attacks. Most were committed in the wealthy western Länder of North Rhine-Westphalia, Hesse and Baden-Württemberg.

In September, 99 racist attacks were reported on hostels for asylum seekers, refugee homes, individuals and property. These included firebombings, attacks with iron chains and pipes, the desecration of Holocaust memorials, the smashing of windows of Turkish houses, and petrol bombs being thrown into hostels.

The rise of the far right in Europe



FRANCE

Le Pen turns hate to votes

THE rise of Jean-Marie Le Pen's National Front (FN) with its aggressive anti-immigration stance has been a dominant feature of French politics in recent years, writes Alice Rawsthorn in Paris.

There are other extreme right-wing and anti-immigration groups in France but the FN is the only serious player on the electoral scene.

Its share of the vote in regional elections has risen from 9.8 per cent in 1986 to 13.9 per cent this year.

The FN was founded in 1972, but it was after the mid-1980s, as the communists lost momentum and the socialists swung to the centre, that it emerged as a significant force.

If the regional result was translated into a proportional national poll, the FN would win 77 of the 577 seats in the National Assembly, rather more than the single seat it presently holds.

This week, the tombstones of French Moslem soldiers were vandalised at a military cemetery.

In the past year several Jewish cemeteries in France have been desecrated with neo-Nazi graffiti.

ITALY

Mussolini's restless heirs

RACIST attacks have prompted the government to announce plans for tougher laws against violence by right-wing groups, writes Robert Graham in Rome.

In the latest incident, a 30-year-old Spaniard was beaten and stabbed by skinheads in Milan at the weekend.

Italy's sole parliamentary party of the extreme right, the Italian National Right Socialist Movement (MSI-DN), has consistently presented itself as a neo-fascist party inheriting the mantle of Mussolini's national socialism. While its share of the national vote has been falling, from a peak of 8.7per cent in 1983 to 5.4 per cent this year, it has retained a solid core of electoral support especially in the Naples area and in southern Italy.

The emergent Lombard League in northern Italy contains national front elements hostile to immigration but it has broader support and does not fall into a crude right-wing extremist category.

The "nazi-skin" movement – skin-heads with neo-Nazi sympathies – is concentrated in cities such as Rome and Milan.

AUSTRIA

Freedom means curbs

THE debate over immigration has become increasingly bitter, with the right-wing Austrian Freedom Party (FPO) campaigning for legislation against foreigners, writes Ian Rodger.

The party, led by the populist Mr Jörg Haider, has proposed a halt to all immigration and a limit on the proportion of foreign children in schools. The party began campaigning this week to win signatures for a petition on its proposals.

It says it expects at least 1m signatures, about a fifth of Austria's electorate. This would put enormous pressure on the government to submit to some of the FPO's demands.

Austria has absorbed a huge number of refugees from eastern Europe since the demise of communism and so far without outbursts of violence of the kind seen in Germany. But the latest campaign has sparked both anti-foreign and anti-semitic outbursts.

The FPO is the third largest party in parliament.

It has increased its share of the popular vote from single figures in the mid-1980s to a peak of 23 per cent in the Vienna city elections a year ago.

SPAIN

Immigrants become issue

ANTI-immigrant sentiment is increasing, according to government opinion polls, writes Peter Bruce in Madrid.

There have been about 15 serious racist attacks this year, directed mainly against north African and Latin American immigrants.

Far-right parties in Spain have won little support in elections, although some political analysts say their support is growing. There are five main right-wing groupings. Only one, the Falange, has stood in elections, polling 0.12 per cent of the national vote in the last general election in 1989.

Most racist violence is carried out by groups of youths who appear to have no party political affiliations.

Among recent attacks, masked men shot an unemployed Dominican immigrant in Madrid earlier this month. This week the home of another Dominican immigrant was burned down north of Madrid. On November 20 an Egyptian man was thrown down an embankment in Madrid, breaking both his legs.

About 400,000 immigrants live in Spain legally and and about another 300,000 illegally.

GDP tonic fails to halt run on franc

By Alice Rawsthorn in Paris

THE French franc yesterday came under renewed pressure on the foreign exchange markets despite the announcement of unexpectedly robust figures for third quarter gross domestic product which helped revive the Paris stock market.

The Bank of France was forced to intervene to support the franc during the day, according to dealers' reports. The bank, together with Germany's Bundesbank, has staunchly defended the French currency throughout this autumn's currency crisis. But yesterday it failed to prevent the franc breaching the benchmark level of FFr3.4 against the D-Mark.

The news that GDP had grown 0.4 per cent in the third quarter, when most economists had been expecting zero growth, did not stave off further falls. The franc ended the day at FFr3.402 against the D-Mark compared with FFr3.394 on Monday.

"The GDP figures were surprisingly good, but not good enough to save the franc from coming under more pressure," said Mr Jean-François Mercier, French economist at Salomon Brothers.

The assault on the franc reflects the underlying tensions within the European Monetary System and the unstable political climate in France, where the unpopular Socialist government is under pressure from the farming lobby to reject last week's agricultural trade agreement between the US and the European Community.

The third quarter growth in GDP, which compares with a negligible rise of 0.1 per cent in the preceding three months, was fuelled by a 0.9 per cent increase in household expenditure and a 0.7 per cent rise in exports. However it disguised a 0.8 per cent fall in business investment, the eighth successive quarterly decline.

Mr Michel Sapin, the finance minister, said the increase in household expenditure was set to continue next year and the fall in business investment was "about to be halted". The latest government forecasts see investment rising by 3 per cent in 1993, after a 2.4 per cent fall this year.

The consensus among economists was more pessimistic, with many fearing that the present relatively high level of the franc could impede France's export performance. Goldman Sachs anticipates a slowdown in exports with France returning to negligible GDP growth of 0.1 per cent in the final quarter of this year.

Despite these gloomy predictions the GDP figures helped to bolster the Paris stock market after Monday's fall. The CAC 40 Index recovered almost all the ground lost on Monday by closing 2.7 per cent higher at 1,720.61.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) GmbH, Frankfurt Branch, Nibelungenplatz 3, 6000 Frankfurt-am-Main 1: Telephone 49 69 156850; Fax 49 69 5964481; Telex 416193. Represented by E. Hugo, Managing Director. Printer: DVM GmbH-Hürriyet International, 6078 Neu-Isenburg 4. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

هكذا صدر الأصل

New row erupts over car pricing

By Andrew Hill in Brussels and John Griffiths in London

CONTROVERSY over car pricing in the EC broke out again yesterday. A new consumer group report claimed that Commission efforts to open up the car market were still not working, and a senior UK motor industry executive called for Belgium to be ordered to end price controls as part of the solution.

The consumer report, by the Bureau Européen des Unions de Consommateurs (Beuc), claims that long-winded import procedures and unhelpful dealers continue to stop car buyers in some EC states taking advantage of low prices in others.

It says the situation has not improved since 1989, and that price differentials across Europe are in many cases still much wider than the 12 per cent recommended in EC rules.

However, the Commission and car manufacturers claimed yesterday that they were moving towards agreement on how to make it easier for consumers to compare cross-border prices.

Sir Leon Brittan, EC competition commissioner, told the Society of Motor Manufacturers and Traders in London last night that manufacturers might be prepared to publish lists indicating prices of certain models and options in different national markets.

Brussels and the producers have agreed that it would be both difficult and confusing to publish detailed lists covering all models and options.

Sir Leon said manufacturers were also now prepared to write to dealers urging them not to discriminate against buyers ordering cars for export to other EC countries. Brussels wrote to manufacturers in May urging them to make their pricing more transparent.

Sir Leon seemed unprepared, however, for a determined attack by Mr Colin Hope, the SMMT's president and chairman of components group T&N, on the price controls which have been a long-standing part of Belgian economic policy.

"We in this [UK] industry are fed up with being hauled in front of the media to be asked why our prices are higher than in Belgium," said Mr Hope. If the single market meant anything, Belgium should be ordered to end controls.

Commenting on the Beuc report, a spokesman for the Association des Constructeurs Européens d'Automobiles (ACEA), the EC manufacturers' federation, said yesterday: "Beuc seems to suggest we are trying to avoid the issue and trying to hide information. We're not hiding anything. We want to co-operate in a way which is simple and meaningful."

The manufacturers have until 1995 to demonstrate that the "selective distribution" system of exclusive car dealerships is not hampering the single market for car buyers.

The Beuc study details wide differences in price across the Community with Britain the most expensive country for car-buyers and Denmark the cheapest.

But the organisation was also sharply critical of national authorities and dealers which it said hampered consumers' attempts to take advantage of such price differences.

European Community industry ministers yesterday debated a rescue plan for the EC's ailing steel producers amid industry warnings that their survival was at stake, Reuter reports from Brussels.

With several hundred steelworkers from northern Spain demonstrating outside (pictured above), Mr Claudio Aranzadi, Spanish industry minister, also fought a rearguard action against pressure to make deeper job cuts in return for Spanish restructuring subsidies.

Ministers gave a cautious reception to a new Commission report calling for a Ecu900m (£732m) three-year programme to assist the industry which fears 50,000 job losses in the face of economic slump. Diplomats said ministers had not had time to study in detail the Commission's report, which urged member states to provide half the suggested contribution to the cost of redundancy and retraining payments for steelworkers laid off through plant closures.

They said France, Italy and the Netherlands had given strongest backing to suggestions by the Commission that it open negotiations soon with east European countries on ways to limit their steel exports, some of which it says are dumped on the EC market.

Mr Aranzadi, seeking the go-ahead for Ecu4.3bn in national aid for a merger between two big steel plants, Altos Hornos de Vizcaya in the Basque country and Ensidesa in the Asturias region, argued that Spain must not be treated worse than east European countries.

UK minister admits no prospect of frontier checks being lifted in time for advent of single market

EC set to miss border controls deadline

By Andrew Hill in Brussels

INTERNAL EC border controls will not be removed by January 1, 1993, Mr Kenneth Clarke, British home secretary, said yesterday.

"There is no prospect of any general removal of frontier controls on January 1 and at the moment there is difficulty in reconciling the position of all the [Community] countries," he told members of the European parliament, in the first outright admission by a senior minister that the EC will miss one of its fundamental single market objectives.

Mr Clarke's comments will set the tone for next week's two-day meeting of interior ministers in London, where immigration policy and border controls will be under discussion for the last time before the symbolic opening of the barrier-free European market.

The meeting was called to sort out problems over immigration, drug smuggling and cross-border terrorism. Mr Clarke, said all member states were seeking a political solution to outstanding problems.

He said his aim as president-in-office of EC home affairs ministers was to win agreement "based on common sense" to free up the movement of Community citizens across frontiers.

Britain itself is still adamant that controls on people are essential if non-EC travellers are to be properly monitored. That stance has put it in dispute with the European Commission and the nine continental European members of the Schengen free-travel zone.

He said Britain had already discussed the problem of removing border controls with EC internal market commissioner Martin Bangemann.

But in an attempt to take the heat off the UK, Mr Clarke indicated yesterday that the nine Schengen members might also want to impose stricter checks on travellers from the non-Schengen countries.

He later picked out the Netherlands as one country aiming to toughen border controls with Britain, but Dutch officials denied the allegations.

Schengen countries are uneasy with a compromise solution to the UK problem which would allow EC visitors to Britain simply to wave passports at immigration controls from next year.

They believe that compromise would undermine the barrier-free internal market – and weakens the EC's external frontiers, where checks are supposed to be more rigorous.

The January 1 goal has already been undermined by a deal between the Commission and EC airports. They will be allowed to keep controls on people until December 1, 1993, on the grounds that it would be impossible for many airports to adapt their infrastructure to the new system by the end of the year.

The Schengen treaty has not yet been ratified by all signatories, and a computer system linking the immigration authorities in Schengen countries will not be in place before the middle of next year.

Hungary's economy shows sign of recovery

INDUSTRIAL output in Hungary rose 5 per cent in September, the first tentative signs of recovery in the economy, writes Nicholas Denton in Budapest. The rise lifted production 1.5 per cent above a year earlier and gave industry its first year-on-year growth since 1990.

Hungarian industrial production statistics tend to fluctuate from month to month and overall the figure is 38 per cent below 1988. Gross domestic product is still forecast to fall by 5 per cent this year compared to 1991.

Ukraine's central bank chief quits

Ukrainian central bank chairman, Mr Vadim Hetman, has submitted his resignation to parliament, writes Chrystia Freeland in Kiev. He has clashed repeatedly with the republic's president over credit policy.

UN ultimatum on Yugoslav aid

United Nations convoys today depart for two of beseiged Bosnian cities after issuing an ultimatum that further aid to Serb-territory hinges on access to Moslem-held towns in the former Yugoslav republic, writes Laura Silber in Belgrade.

Convoys of the UN High Commissioner for Refugees will deliver food and medicine to Srebrenica and Gorazde, eastern Bosnia, following assurance from Serb leaders. They said the convoys would be allowed to cross Serb lines into the Moslem-controlled towns, swollen with tens of thousands of refugees from fighting in the region along the River Drina, which marks the Bosnian frontier with Serbia.

Way cleared for Polish credit

By Christopher Bobinski in Warsaw

POLAND and the International Monetary Fund yesterday completed negotiations on a letter of intent which should pave the way for a new $660m IMF standby agreement.

The letter still has to be approved by the Polish government and by the IMF board at its next meeting in January. Once finalised the new 14-month standby accord should open the way to a resumption of debt reduction talks with western commercial banks stalled since June 1991.

Agreement with the fund is crucial to Poland receiving a further 20 per cent reduction of its $35bn official debt to western governments in 1994. In March 1991 government creditors agreed to cut Poland's official debts by 30 per cent in that year and made a further cut contingent on Poland obtaining the IMF's seal of approval for its economic policies. Its overall foreign debt was $50.9bn at the end of August.

The letter of intent was worked out by an IMF team led by Mr Michael Deppler, head of the European Department, and Mr Jerzy Osiatynski, the finance minister. It concentrates on next year's budget proposals which foresee an 81,000bn zlotys deficit or 5.1 per cent of GDP compared to this year's deficit which will reach 7.5 per cent of GDP.

The budget still has to be approved by parliament, which until now has resisted government demands for a reduction in pension and other social payments which will be needed to honour the IMF limits. The budget forecasts were based on the assumption that the Polish economy will grow by 2 per cent next year, reversing four years of sharp decline.

Real incomes are to stay at this year's levels while prices are expected to grow by 39 per cent. This is below this year's 46 per cent increase, in spite of big rises in the cost of gas, electricity and central heating planned for 1993. The government's budget documents foresee inflation falling gradually to reach 10 per cent in 1997.

Surge in US orders points to steady recovery

By George Graham in Washington

MORE signs emerged yesterday that the US economy has embarked on a steady, if not yet ebullient, recovery, with the announcement of a surge last month in durable goods orders.

The Commerce Department said new orders for durable goods rose by 3.9 per cent in October, to total $124.4bn (£82.3bn) after seasonal adjustment. Excluding defence equipment, new orders rose 2.2 per cent.

Republican politicians have complained that economists and journalists have been willing to proclaim a recovery on the basis of buoyant economic statistics since Governor Bill Clinton, the Democratic candidate, won the presidential election last month, after turning a deaf ear to President George Bush's claims that a recovery was under way.

Governor Clinton is working on an economic stimulus package, to be put into place soon after his inauguration on January 20. He is expected to invite businessmen, economists and politicians to his Arkansas state capital of Little Rock on December 14-15 for an economic summit.

Economists and financial markets were yesterday cautious in their reaction to the durable goods announcement, although it outstripped the average market forecast of a 1 per cent gain. Most of the increase stemmed from a 20 per cent rebound to $32.2bn in orders for vehicles and aircraft.

Adding to caution was a 4.5 per cent decline in new orders for industrial machinery and equipment, although orders for non-defence capital goods showed a solid advance of 2.5 per cent, cementing an 8.5 per cent increase in September.

"The gains weren't widespread. October's report reflects an industrial sector that's growing, slowly," said Mr Ed Yardeni, economist at brokers C J Lawrence in New York.

Other indicators, however, showed that both consumers and businesses are starting to show more confidence.

The Conference Board, a New York-based business grouping, yesterday announced a revival in its consumer confidence index for November, although optimism only returned to the level of early last summer.

But Mr Fabian Linden, executive director of the board's consumer research centre, said the 11 point increase in November took the index only to a level that has historically been linked with a lacklustre economy. "We have a long way to go before we are in a full recovery mode," he said.

A business confidence index compiled by Cahners Economics, a Massachusetts economic research group, also showed an increase in optimism in November, although the upturn was modest. Cahners found a sharp increase in the number of businesses which planned to increase production over the next three months but, for the longer term, relatively few businesses planning to invest more heavily in capital equipment.

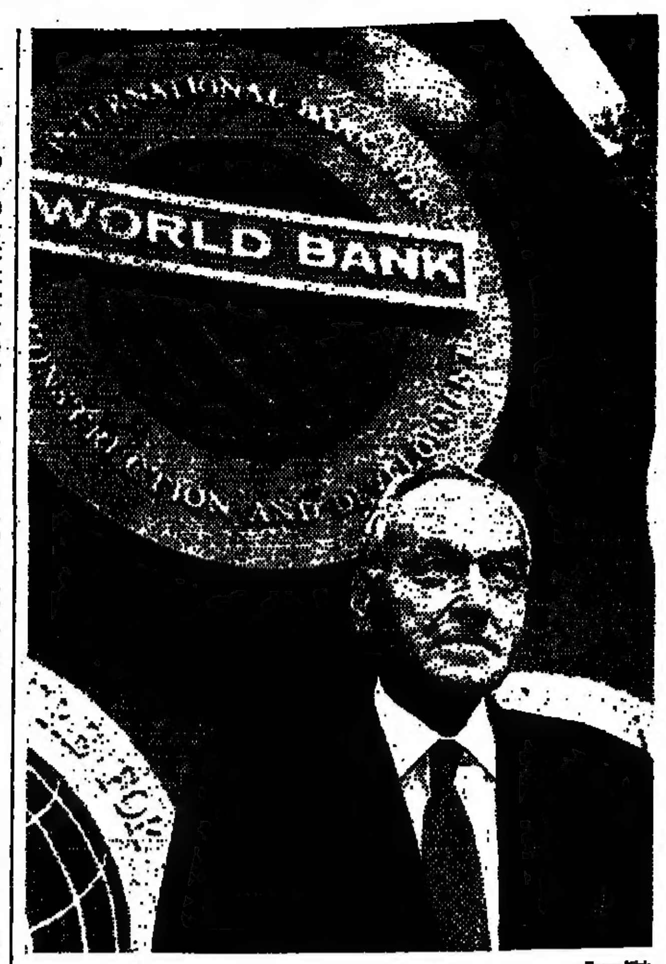
The US agriculture department yesterday suspended grain credits to Russia after it failed to repay $10.9m (£7.2m) on time to four private lenders, writes Nancy Dunne in Washington.

However, Mr Roger Runningen, the department spokesman, said Russia could be reinstated in the two-year-old credit programme later yesterday. Vnesheconombank officials in Russia told the department that instructions had been issued to make immediate payment.

Once that was confirmed, lending was to be resumed.

The agriculture department has extended $5.7bn in export guarantees to the former Soviet Union since January 1991.

However, Congress, which lobbied for the programme, was worried about the credit record of the former Soviet Union and required the department to monitor repayments strictly. The banks are required to notify it once repayment is 10 days overdue.



Terry Kirk

Lewis Preston: has implemented his own World Bank reforms

Bolivia has worst rural poverty

BOLIVIA has 97 per cent of its rural population living below the poverty line, the highest percentage in the world, according to a report by the International Fund for Agricultural Development, a United Nations agency, writes Chris Philipsborn in La Paz.

The report is a blow to successive Bolivian governments, which since 1985 have embraced painful economic restructuring on the premise that benefits would eventually trickle down.

The report says rural poverty has grown since 1965, when only 85 per cent lived below the poverty line. At the same time, Bolivia's rural population increased by 1.4m, to 3.4m, or more than half of the total population.

The report blamed the increase in poverty on population growth unmatched by increases in agricultural productivity.

"There have been some attempts at redistribution of land. However, the majority of Bolivian farmers still work very small plots ... without direct investment from the state," said Mr Mohiuddin Alamgir, a co-author of the report. Mr Alamgir believes the situation will worsen unless there is direct policy intervention from government.

No action over Halcion

THE US Food and Drug Administration will take no further action against Upjohn, the US pharmaceuticals group, after investigating its reporting practices and regulatory compliance issues related to Halcion, writes Karen Zagor in New York. The sleeping pill was banned in Britain this year. A separate inquiry found the drug safe and effective when used as recommended.

Gaviria government hit by M-19 resignation

COLOMBIA'S influential ex-guerrilla movement M-19 yesterday resigned from President César Gaviria's government, in protest at a crackdown on left-wing rebels, Reuter reports from Bogotá. It also called for UN mediation to stop bloodshed in the country.

The move by the M-19 Democratic Alliance came after Mr Gaviria ignored a plea from its leaders to order a ceasefire in the war against the rebels.

M-19's withdrawal, which means the resignation of Health Minister Gustavo de Roux and 350 lesser officials, is the first important loss of political support Mr Gaviria has suffered since declaring a state of emergency on November 8 to fight the estimated 8,000 Marxist rebels.

World Bank debates its role as lender

George Graham assesses a damning report on the bank's portfolio

THE World Bank's executive board yesterday began discussion on one of the most comprehensive reviews of its portfolio management, based on a study that has opened up a fierce debate over how well the Washington-based multilateral institution is fulfilling its role of development lending.

The report, produced by a taskforce under the chairmanship of Mr Willi Wapenhans, a World Bank veteran, paints a stark picture of the deteriorating quality of the bank's portfolio of projects in the 1980s.

World Bank staff are used to being criticised for clumsy bureaucracy, tax-free salaries and lending to environmentally damaging projects, but the Wapenhans report suggests the bank is failing even on its own terms. The proportion of projects showing major problems in the World Bank's $138bn (£91bn) loan portfolio rose from 11 per cent in 1981 to 20 per cent a decade later. Of projects in their fourth or fifth year of implementation in 1991, 30 per cent had substantial problems, with project categories such as water supply, sanitation and agriculture demonstrating particularly severe difficulties.

In addition, the bank is finding that it takes an average of two-and-a-half years longer to complete a project than its staff estimates.

Much of this deterioration can be attributed to factors outside the control of any institution, such as the oil shock, debt crisis and steady worsening terms of trade for developing nations. The taskforce suggested it may also reflect more realistic assessments of performance by bank staff.

But the report points to severe shortcomings in the conception and appraisal of projects, shortcomings deeply rooted in the bank's corporate attitudes – a culture that promotes loan volume as the measurement of success – and an arrogance that leads the bank to impose its own projects on borrowers, rather than responding to their needs.

"Bank staff take a negotiating, not a consulting position – they know what they want from the outset and aren't open to hearing what the country has to say," the taskforce concluded after consulting representatives from borrowing countries.

In fact, the Wapenhans report finds, the more time bank staff spend on the preparation of a project, the less likely it is to succeed – perhaps because these are the projects to which the borrower is least committed.

Borrowers complain staff may make matters still worse by imposing endless and unhelpful conditions to ensure the bank board will approve the loan, and by adding in elements of the "policy *du jour*" – be it import substitution, export promotion, women's programmes or environmental concerns.

Other critics say one of the reasons why portfolio supervision has deteriorated is that many of the bank's engineers, who revelled in getting their boots dirty in on-site inspections, have been replaced by economists who stay in their hotels reading reports.

Yet, say some World Bank insiders, those hands-on engineers tended to promote their own specialities, whereas the economists take a broader view of a country's needs.

"If you had a port engineer in south Asia, you could be pretty sure you would get one or two port projects a year in south Asia," said one bank director.

The Wapenhans report comes on the heels of a fiery debate inside and outside the bank over its handling of the $3bn Sardar Sarovar dam and irrigation projects on the Narmada river in western India.

Environmentalist groups have for years complained that the bank ignored all the warning signs about the Narmada dam's impact on the environment and on peasant farmers.

Despite a damning independent report from a commission headed by Mr Bradford Morse, a former administrator of the United Nations Development Project, the World Bank board decided last month to allow the project to go ahead, although the executive directors, who represent member countries, set strict benchmarks to be met by April.

"The problem is that institutionally there is no incentive to slow down projects for environmental or social quality reasons. Your career incentives are to push projects through," says Ms Lori Udall of the Washington-based Environmental Defence Fund.

"If they cannot suspend a project when the evidence is so overwhelming, when are they going to?" she asks.

It is nothing new for the World Bank to be scratching its head over its missions and its corporate culture. Former presidents Tom Clausen and Barber Conable each implemented his own management overhaul. Mr Lewis Preston, the former chairman of Morgan Guaranty who took over as president last year, has made his own reforms, and hundreds of bank employees are now waiting for reassignment.

However, by commissioning the Wapenhans taskforce in February, Mr Preston had in a way answered a central criticism of the report it was to produce. "Successful implementation of approved operations outweighs new annual commitments as an indicator of the bank's development effectiveness," he wrote.

Already the bank's traditional emphasis on global loan volume as a measure of its success in transferring resources to third world customers has been somewhat muted. The latest annual report shows signs of fewer loans rushed through before the end of the fiscal year to burnish the statistics.

Many non-governmental organisations, however, complain that the entire career structure has been unchanged by top-down reforms, and continues to reward employees largely on the basis of their loan volume.

But some are encouraged by Mr Preston's recognition of his organisation's problems; perhaps he will be able to change its culture in a way that has eluded his predecessors.

NEWS: INTERNATIONAL

Mitterrand to rebuild Mideast relations

By William Dawkins in Paris

PRESIDENT François Mitterrand and four senior government ministers today begin a four-day tour of Israel and Jordan, in an attempt to rebuild France's weakened influence in the Middle East.

He will visit Israel for the first time since 1982, when Mr Mitterrand was the first serving French president to do so, thus opening a reconciliation between the two countries. Paris has been eager to forge closer ties since the June election victory of an Israeli Labour administration, committed to progress in peace talks with the Arabs.

However, the tour comes at a sensitive moment in relations with Israel, because of Mr Mitterrand's recent refusal to apologise for the wartime Vichy regime's persecution of French Jews and his decision to send a wreath to the tomb of Marshal Philippe Pétain, the Vichy leader.

French influence in the Middle East has dwindled since the Gulf war, because of its arms sales to Iraq, and the country has played only a minor role in the Arab-Israeli peace talks.

France has accordingly started to play an important part in encouraging talks on economic matters between the two sides, having hosted last month an economic conference of Israelis and Palestinians in Paris. The French government tabled a plan to rebuild the regional rail network and plans to promote this idea on the coming tour.

The 150-strong delegation, which includes senior industrialists, will focus on immediate rail projects, such as for a link to the Red Sea port of Eilat and the electrification of a line from Haifa to Tel Aviv.

Mr Mitterrand, who last week called for an end to the "unacceptable, immoral" Arab boycott of Israel, will meet Palestinian leaders tomorrow. He will then move on to Jordan, a long-standing French ally. He is due to discuss the progress of the peace talks with King Hussein.

Japan's money supply declines further

By Charles Leadbeater in Tokyo

JAPAN is in the midst of an unprecedently severe monetary contraction, according to figures published yesterday which show the broad money supply fell last month for the second month in a row.

The 0.6 per cent contraction in the broad money supply in October, the largest drop on record, is a sign that the economic slowdown is tightening its grip upon Japan. The fall follows a 0.5 per cent drop in September, the first annual fall ever recorded.

The sharp contraction in the broad money supply measure, which was growing at more than 3 per cent a year at this time last year, is a reflection of how swiftly the downturn has accelerated in the autumn.

Concerns that the decline in the broad money supply may herald a further fall in economic activity were reinforced by declines in several other indicators of monetary growth. Previously the Bank of Japan, the central bank, had argued that the slowing growth rate of broad money was caused by savers switching their funds into the postal savings system.

However, the figures issued by the Bank of Japan show the growth rate of narrow money fell to 2.5 per cent a year from 2.9 per cent in September, while the growth of broad liquidity, which includes deposits in the postal savings system, has fallen to about 2.8 per cent from about 4.4 per cent in the first half of the year.

The money supply contraction is largely a reflection of depressed demand for funds from consumers and companies. The Bank of Japan says there is no evidence that Japanese companies are facing a credit crunch because the banks are cutting back on lending. However, small business leaders have become increasingly vociferous in their complaints that the commercial banks are pursuing excessively restrictive lending policies.

The depth of the downturn was confirmed by a survey by the Economic Planning Agency based on consultations with 10 trade associations suggesting the economy may not show signs of a recovery until late next year. Most official forecasters believe recovery should start in the spring.

Bhutto keeps heat on a besieged Sharif

Law and order central to Pakistan investment hopes, writes Farhan Bokhari

A WEEK after the biggest political challenge by Ms Benazir Bhutto, the Pakistani opposition leader, to the government of Mr Nawaz Sharif, the capital Islamabad looks like a city under siege.

Riot control policemen wearing protective gear and armed with batons and tear gas shells remain on standby. Small enclosures built with sandbags have just been dismantled and loops of razor wire pushed to the roadside. They were among the remaining signs of the crackdown last Wednesday, which involved police and soldiers, to stop Ms Bhutto from leading a public demonstration demanding Mr Sharif's dismissal on charges of corruption.

More riot police were on alert last night as she arrived at the railway station in Lahore aboard a train from Karachi in an attempt to reach the outskirts of the capital.

The confrontation is becoming Mr Sharif's most difficult political test since he came to office two years ago. There are few signs of a compromise.

The clash grew from a call by Ms Bhutto for a march on parliament to protest against alleged government corruption and demand fresh elections. The demonstration was banned and she was barred from Islamabad for a month.

While Ms Bhutto has vowed to continue her struggle, Mr Sharif maintains that the opposition is trying to destabilise democracy.

Ms Bhutto has widened her coalition by seeking fresh alliances with such prominent politicians as Mr Ghulam Mustafa Jatoi, former prime minister. Mr Jatoi, a former Sharif ally, ruled over an interim government after Ms Bhutto's dismissal in August 1990, but broke ranks from the ruling party earlier this year.

Benazir Bhutto waves to supporters at Hyderabad station yesterday on her train crusade

Mr Sharif commands a parliamentary majority despite cracks in his ruling alliance and there are few signs of large-scale public unrest to unseat him. However, he is regarded by many observers as more vulnerable.

Earlier this year, the government sent troops to curb growing lawlessness in the southern province of Sindh, a stronghold of the opposition where a Sharif-backed government rules. Some order has been restored, but many businessmen and politicians say the ultimate solution lies in improving economic factors such as employment and better prospects for landless peasants, some of whom have turned highway robbers. In addition, there is a need for compromise with the opposition to curb political discontent.

The Sindh army action also led to a crackdown against a government ally, the Mohajir Qaumi Movement (MQM), a powerful regional party based in Karachi, the heart of Pakistan's business activity. Mr Sharif was forced to break ranks with the MQM which has exposed his alliance to the possibility of fresh opposition from Karachi once troops return to their barracks.

There have also been growing differences with the Jamaat-i-Islami, a religious party which supported Mr Sharif in his election campaign. Most recently, the government has faced resistance from human rights activists and religious minorities who are opposing plans to require non-Moslems to identify their religion on national identity cards. Every Pakistani is required to hold such a card for identification by police and other officials.

New economic constraints are also expected to put pressure on the government. The country's privatisation programme, one of the pillars of economic policy, is proceeding on track, and the government argues that efforts towards liberalisation of the economy will continue. But recent floods are estimated to have damaged roads, bridges and other infrastructure at a cost of between \$1.6bn and \$2bn.

There is now concern that businessmen will be discouraged from investing in new projects. "This sort of thing gets bad press. It discourages investors from coming here," says one western diplomat.

Mr Sartaj Aziz, the finance minister, acknowledged in an interview: "Political instability is not good for investment or economic growth," adding that if government-opposition confrontation "lasts for several weeks or months, then obviously it will affect the investment climate".

However, Mr Aziz argues that the confrontation has so far not had an effect on the economy, adding that neither has the stock market index fallen nor has there been a large outflow from the country's foreign exchange bank accounts — two of the most visible signs of nervousness.

There remain few signs suggesting Mr Sharif's imminent downfall. Neither of the two most important institutions in Pakistani affairs, the president and the army, is likely to intervene either to change the government constitutionally or through the use of force — unless there is a further breakdown of order. But the government-opposition rift will have to end before Pakistan can again seek to build an image of political stability.

NEWS IN BRIEF

Aid of \$500m pledged to protect ozone layer

INDUSTRIALISED nations have pledged up to \$500m (£330m) on top of \$240m already committed to help developing countries phase out chemicals which damage the ozone layer of the atmosphere, writes Bronwen Maddox in Copenhagen.

Ministers and officials at a three-day United Nations conference in Copenhagen, who are trying to tighten the terms of the 1987 Montreal protocol on ozone-depleting chemicals, have agreed to put between \$340m and \$500m into a fund for developing countries between 1994 and 1996. In return, developing countries look set to agree to phase out some chemicals by 2006, four years earlier than under the existing treaty. They are also likely to agree to controls on methyl bromide, a previously unregulated fumigant used in preserving fruit and grain.

Countries including the UK and France have been criticised for not paying their full contribution to the fund.

Chinese air crash kills 141

A Chinese Boeing 737 flying from Guangzhou to Guilin in south-west China crashed yesterday, and all 133 passengers and eight crew are believed to have died, Reuter reports from Beijing. The official Xinhua news agency said among the passengers were a Canadian, two Spaniards, nine Taiwanese and one person from Portuguese-run Macao.

Assam separatists call off strike

Separatist groups in Assam yesterday called off a strike but threatened to paralyse the north-east Indian state if the central government failed to take immediate steps to meet demands for a separate Bodo homeland, writes Shiraz Sidhva in New Delhi.

● Mr P V Narasimha Rao, India's prime minister, yesterday ran into severe criticism on the opening day of parliament for his handling of a dispute over plans to build a Hindu temple on the site of a mosque at Ayodhya, northern India. Mr L K Advani, the leader of the pro-Hindu opposition Bharatiya Janata party, told MPs that "a confrontation" over the issue was likely.

South Korean GNP up 3.1%

South Korea's gross national product grew 3.1 per cent in inflation-adjusted terms in the third quarter, down from 7.8 per cent a year earlier, Reuter reports from Seoul. The provisional Bank of Korea figure compares with a 5.9 per cent growth in the second quarter and 7.4 per cent in the first quarter of 1992.

Taiwan trade surplus falls

Taiwan's current account surplus fell 78 per cent from a year earlier to US\$575m in the third quarter, Reuter reports from Taipei. A central bank official said the world economic slowdown had hurt exports, while payments for foreign services such as transport had risen.

● The Taiwanese government will allow the Formosa Plastics group to invest in China if the conglomerate keeps the bulk of its operations in Taiwan, said Mr Vincent Siew, economics minister.

Last US warship leaves Subic Bay

The USS Belleau Wood slipped out of Subic Bay yesterday, ending nearly a century of US military involvement in the Philippines, Reuter reports from Subic Bay.

Correction: Indian trade figures

Trade figures for India were wrongly stated in the Financial Times yesterday. The trade deficit in the six months to September was in fact \$2.62bn compared with \$1.02bn for the same period of 1991. Exports were \$8.55bn against \$8.11bn and imports rose to \$11.17bn from \$9.13bn.

NEWS: WORLD TRADE

French MPs vote on farm deal veto today

By David Buchan in Paris

A French parliamentary vote late today against the US-EC deal on farm trade became a certainty yesterday as the three main opposition parties laid down a resolution, calling on the government to veto, if necessary, the Gatt agreement.

Mr Jean-Pierre Soisson, the agriculture minister, has cautioned that to brandish a possible veto at this stage would be to advertise France's weakness and isolation within the EC. But the government cannot afford to put a less anti-Gatt motion to the National Assembly, if it wants to avoid being outflanked on such a sensitive issue in the run-up to next March's elections.

The neo-Gaullist RPR and the UDF and UDC centrist parties are manoeuvring to try to prevent the government turning the near-total consensus on the Gatt issue into a confidence vote in the shaky Socialist government. But, in substance, the government and opposition positions will not be far apart, because both sides want a show of unity to impress EC partners with the depth and breadth of French hostility to the draft Gatt accord, which would cut subsidised EC exports by 21 per cent over the next six years.

Soisson: caution over brandishing veto

Today's crucial cabinet meeting, at which the government will decide what motion to put to Parliament, and the subsequent National Assembly debate, will come under pressure from some of farm unions gathered in Paris to protest.

The opposition motion says the draft agreement is:

● "Contrary to the fundamental interests of France as well as of the EC";

● Insists a Gatt deal must be compatible with reform of the Common Agricultural Policy (CAP) and be balanced in its scope;

● Asks the government to request a special EC council "to inform its partners immediately of the impossibility of France giving its agreement to this text";

● Presses the government to "use all means at its disposal, including its right of veto, to obtain these fundamental guarantees before pursuing Gatt negotiations and before putting CAP reform into effect".

Protesting French farmers yesterday saw their case strengthened by an estimate from Insee, the government statistics service, that their average income will fall 5.9 per cent this year, after rises in the past two years.

Japan hints at move on rice

By Robert Thomson in Tokyo

THE Japanese government has started the painful debate over the opening of the rice market, as three cabinet ministers yesterday hinted the country would need to make a concession to ensure the success of multilateral trade talks.

Ministers of finance, trade and foreign affairs said Japan would continue to argue that an exception be made for rice on the grounds of "food security", but they also indicated that pressure from the international community would probably force a market opening.

However, Mr Kiichi Miyazawa, the prime minister, and the agriculture ministry insist the market will remain closed to imports, regardless of the agreement between the US and the European Community on farm trade under the General Agreement on Tariffs and Trade (Gatt).

Like the French government, Tokyo is under intense pressure from farmers to defend the rice market, but there is a general recognition within the government that a concession must be made.

Mr Kozo Watanabe, minister for international trade and industry, hinted Japan would be willing to compromise, as did Mr Tsutomu Hata, the finance minister, who suggested that rice may not be suitable for tariffication (the replacement of existing trade barriers by a tariff schedule).

Mr Hata and other ministers are concerned that tariffication would lead to a gradual and inevitable increase in the foreign share of the Japanese rice market.

They would prefer to make a single, symbolic opening, for example, by allowing a foreign share of 3-5 per cent.

Meanwhile, Mr Watanabe said other countries must recognise that rice is a "difficult issue" for Japan, but a conclusion to the Gatt Uruguay Round "will benefit all free-trade nations".

A Japanese concession is likely to come after prodding by other nations, though the ministers' comments yesterday suggest the agreement between the US and EC has ended most hopes that a market opening may be avoided.

The strongest indication of a political willingness to open the market came from Mr Michio Watanabe, foreign minister, who said discussions must start immediately at the highest levels.

The agriculture ministry is responsible for the rice issue, and it must agree on compensation with Japanese farmers before a decision can be announced by the government.

TI, Sanyo drop US legal actions

By Steven Butler in Tokyo

TEXAS Instruments (TI), the US semiconductor maker, and Sanyo Electric of Japan have dropped legal action against each other in the US courts, they said yesterday. The move came after they signed a semiconductor patent cross-licence agreement, but left unresolved a key dispute over a TI patent covering basic chip technology in Japan.

The unresolved dispute leaves open the possibility of renewed legal action in the Japanese courts; both companies said they retained the ability to pursue their rights in Japan.

The cross-licence agreement, running until November 1996, brings part-resolution to one of the most bitter patent rights disputes between US and Japanese companies. TI and other US companies have been increasingly aggressive in recent years in seeking to obtain royalty payments for intellectual property.

In June, TI filed a patent infringement suit against Sanyo in the US and sought a judgment that the conduct of its talks with Sanyo did not constitute a misuse of patents or anti-trust violation. In July, Sanyo filed anti-trust and breach of contract suits against TI in the US courts.

Sanyo said then that TI was trying to force it to sign an agreement for TI's Kilby semiconductor patent which Sanyo said it did not use. TI believes the patent applies to all semiconductor devices made in Japan. The agreement between the two companies establishes royalty payments which Sanyo will make to TI for semiconductor technology, but excludes the Kilby patent.

Neither company said how the Kilby patent dispute would be resolved, but it is likely they will wait for the outcome of a current legal action in Japan between TI and Fujitsu. Fujitsu and TI were also unable to reach agreement over applicability of the Kilby patent and sought a determination from the court on whether the patent applied to semiconductor devices made by Fujitsu.

Fast-growth Malaysia running out of steam

Kieran Cooke on a massive power expansion programme

WHEN the lights went out in Malaysia recently the message struck home. The country, now in its fifth successive year of 8 per cent-plus growth, is running out of power.

The blackout, blamed on a freak lightning strike and described officially as an Act of God, left many parts of peninsular Malaysia without power for several days.

Now the government is stepping up efforts to put in place one of the world's more ambitious power expansion programmes with the private sector, both domestic and foreign, playing a central role. The power companies are rushing to Kuala Lumpur to grab a piece of the action.

Malaysia has an installed electricity capacity of about 5,000MW. To keep pace with economic growth over the next 25 years - projected at an average of 7 per cent annually - power output has to grow five times.

Mr Samy Vellu, minister of energy, estimates that the cost of new power projects over the next 25 years will be M\$100bn (£25bn). In the next 10 years alone Malaysia needs to invest M\$40bn to cope with increasing electricity requirements.

Malaysia is the front runner in Asia in encouraging private sector participation in energy generation. Earlier this year, Tenaga Nasional, the country's electricity utility, was partly privatised and is now the largest company listed on the Kuala Lumpur stock exchange.

The government is studying proposals from the private sector for building, operating and owning a number of power stations round the country.

Preliminary agreement has been announced for Malaysia's first independent power producer. A local construction group, YTL, has teamed up with National Power of Britain to build two power stations with a combined capacity of 1,000MW costing about \$700m. National Power will have a 10 per cent stake plus a separate operation and management contract.

While the authorities have not disclosed how much of the industry will be given over to independent producers, the eventual outcome could be a 50/50 split with Tenaga. Other projects are likely to be announced soon, involving the participation of some of the big names in power generation. Foreign companies are allowed to hold up to 25 per cent.

The independent producers are likely to concentrate on gas-fueled power stations – buying gas from Petronas, the state oil company, and selling power to Tenaga, which will have control of the national grid.

The price at which Tenaga will buy power from the independent producers is the most important element in any contract. According to Mr Richard Hall of Schroders – who along with the World Bank's International Finance Corporation is acting as financial adviser on the YTL deal – the power purchase agreement should guarantee adequate returns to the independent producer.

"Once we have a decent power purchase agreement we can then go to the banks and raise the necessary finance," says Mr Hall. "Without that guarantee the banks won't be interested in putting up the funds."

Mr Martin Locke, a project finance specialist with Morgan Grenfell in Singapore, says the risks of taking on such projects can be handled only by the big power companies. "A power project is a long-term proposition. It's also very complex contractually, particularly on setting pricing over long periods. Only the big power companies will be able to get the banks behind them."

Dr Mahathir Mohamad, the prime minister, upset by blackouts and power shortages which could deter much needed investment, has made clear he wants these projects to come on stream as soon as possible.

The YTL power stations are due to be up and running by early 1995.

Mr Locke feels Malaysia might deter some potential independent producers by trying to rush negotiations through while not giving adequate guarantees on financial returns.

Other countries in the region, in particular Indonesia, the Philippines and Thailand, are also competing for power related funding.

"But Malaysia does have advantages," says Mr Locke. "It is seen as a more bankable country than most others in the region. The Malaysian dollar is strong and the local market could be tapped for funding. Most of all Malaysia is ahead of the hunt and it's likely the independent producers there will set the framework for other countries to follow."

CoCom offer to east Europe

THE 17 member governments of the Co-ordinating Committee for Multilateral Export Controls (CoCom), the Paris-based organisation vetting militarily useful exports, yesterday offered to share sensitive technology with their former Soviet and east European enemies, if the latter tighten their own controls, writes David Buchan in Paris. The offer came at the first meeting of the CoCom Co-operative Forum, which brought together 42 countries, including Japan and Nato's CoCom members, along with nine republics from the Commonwealth of Independent States (CIS). The US, which claimed the initiative for establishing CoCom, announced \$11m (£7.2m) to help former Warsaw Pact states or territories set up controls capable of monitoring exports from the bigger number of current suppliers.

NEWS IN BRIEF

Australia deal for UK group

BRITISH Telecommunications Australasia (BTA), a wholly owned subsidiary of the UK telecoms group, was yesterday awarded a 10-year deal to run a communications network for New South Wales, writes Kevin Brown in Sydney. BT said the contract, expected to be worth £350m, was the biggest overseas contract it had won.

Mr John Fahey, NSW premier, said BTA would set up a phone and communications network linking all government departments and public sector agencies statewide, cutting the annual A\$120m (£54.7m) telecoms bill by 20 per cent. The project, to be completed in two years, would connect 5,000 sites, 120,000 telephones and 23,000 computer terminals.

India urged to scrap rail plan

The Indian government was yesterday urged to scrap a \$190m (£125.8m) contract to import high-technology railway locomotives from Asea Brown Boveri (ABB), writes Stefan Wagstyl in New Delhi. India's railway advisory panel said it should develop its own advanced locomotives instead of buying foreign imports. The \$4m spent on commitment payments to ABB should not inhibit reconsidering the contract. ABB declined comment before studying the report.

Exporters face payment delays

Lengthening payment delays by European customers are adding to cash-flow problems facing UK exporters, an Association of British Factors and Discounters survey shows, Charles Batchelor writes. The average delay in settling bills had risen by 20-30 per cent in most EC countries in the past year. Association members provide companies with cash against unpaid invoices. French companies take the longest to settle their bills, averaging 115 days. The British take 80 days.

NEWS: UK

UK plans to boost exports by £10bn

By David Dodwell, World Trade Editor

MR RICHARD Needham, the UK trade minister, plans today to unveil details of a national strategy for export promotion intended to boost Britain's share of international trade by £10bn, and reverse the decline of UK exporters in the developing world.

The plan, intended to quell complaints that the government lacks a clear strategy for economic recovery, comes at a time of rising concern over Britain's export performance, which in spite of an effective 13 per cent devaluation continues to lag the trend in imports.

Exports in October were £9.1bn, up by 4.6 per cent on September – but more than matched by a 5 per cent rise in imports to £10.2bn.

The "Needham plan" will ensure adequate credit cover is available to exporters.

Mr Needham will also acknowledge that "big industry" exporters have lost ground in markets in the developing world, from almost $550m in 1986 (a 7 per cent share of total trade in capital goods) to $532m in 1990.

The government's aim – based on projections formulated by the Confederation of British Industry in March – is to boost Britain's share of international trade from 5.3 per cent in 1990 to 6.3 per cent by the turn of the century. This would add £10bn to exports at current prices, and eliminate the country's visible trade deficit, the CBI said.

Capital goods exporters have complained vehemently over the past year that the high cost of export credit insurance, and limits to cover in buoyant markets such as Hong Kong, China and Malaysia, have undermined their competitiveness.

The government went part of the way to meeting complaints in its autumn statement two weeks ago, when it announced a £700m increase in export credit cover available for such markets. But it has resisted pressure to cut premium rates because of a conviction that the devaluation of sterling and cuts in interest rates will have provided exporters with the fillip they need.

Mr Needham claimed the lack of a formal strategy in the past had meant "there is too much of British industry that is ordinary, and not enough that is world class".

Export success, he added, would need a strategy "that is to embed itself throughout the trading base of the UK, at a local level, within government, between departments of government, and in their relations with industry and overseas.

The DTI itself plans to link inward investment efforts with export promotion, acknowledging the critical role foreign investment plays in boosting export performance.

The plan will also focus exporters on particular markets through initiatives such as "priority Japan" and "task force Kuwait".

Opposition warning on fighter jet

By David Owen

BRITAIN'S Labour party yesterday warned it could withdraw its support for the European fighter aircraft following a speech by Mr Malcolm Rifkind, the defence secretary, which attacked the opposition's criticism of government policy on exports to Iraq.

Mr Rifkind was condemned by Labour after a parliamentary debate on Monday when he accused the party of behaving as "an aspirant kangaroo court" by claiming the government sold arms destined to be used against British troops.

Mr George Foulkes, Labour's defence spokesman, said Labour's support for EFA stemmed not just from the project's beneficial impact on jobs but from the need to procure the "best" fighter aircraft.

Mr Foulkes urged the government to endorse a sales policy for the EFA and other arms that excluded the exports to military dictatorships.

Mark Thatcher named in arms role

By Alan Friedman in New York and Jimmy Burns and Richard Donkin in London

A FORMER senior White House official yesterday said US intelligence reports suggested that Mr Mark Thatcher, the son of the former prime minister, was connected to "the organisation and negotiation of arms transactions to Saudi Arabia" in the 1980s.

Mr Howard Teicher, who served on the National Security Council (NSC) as director of Middle Eastern affairs between 1982 and 1986, said that references to Mr Thatcher were made in intelligence reports and State Department cables from US embassies in Europe and in Saudi Arabia over several years.

Mr Teicher, who resigned from the Reagan Administration in early 1987, said the documents had aroused his concerns because Mr Thatcher was the son of the then British prime minister.

The reports, including a suggestion of a possible link with the £20bn British arms sale to Saudi Arabia known as the Al-Yamama deal, were discussed by Mr Teicher and his White House colleagues.

Mr Teicher's remarks are also to be featured in a Channel Four Dispatches programme on British television tonight which investigates possible links between Mr Thatcher and British defence deals with Saudi Arabia and Iraq.

Last night Lady Thatcher's office in London said she would not comment.

A spokesman for Mr Thatcher said Mr Thatcher was aware of the Dispatches programme and would watch it. "He never discusses his business affairs," he said.

Concern over the role of Mr Thatcher's business dealings in the Middle East follows the revelations over UK government policy on exports to Iraq.

The government, which is seeking to defuse criticism of its policy on export guidelines for defence related equipment, said yesterday that papers relating to a key ministerial meeting at which it was decided to recommend revising the policy could be made available to MPs. The meeting – on July 19, 1990, just two weeks before Iraq's invasion of Kuwait – recommended that policy be revised without permitting the export of lethal equipment.

Speaking in Parliament, Mr Michael Heseltine, the trade and industry secretary said the papers disproved Labour allegations that the government may never have intended to announce such a change to parliament.

In a separate development, it also emerged that Mr Heseltine asked for changes to the "public interest immunity" certificate he was responsible for on papers the government wanted kept secret in the Matrix Churchill trial.

His decision to insist on alterations before he signed has further encouraged his supporters to believe he will be cleared completely by Lord Justice's Scott's inquiry into the arms-to-Iraq affair.

But the differences between Mr Heseltine's certificate and those signed by three other ministers may raise questions about why similar fears were not raised by his colleagues.

Britain could owe Iran £200m

Britain may owe Iran £200m or more for payments made by the Shah's regime in 1979 for tanks and other military supplies which were embargoed after the Ayatollah Khomeini came to power.

Negotiations between the governments over the contracts are referred to in a 1990 government document prepared when ministers were considering relaxing the export guidelines prohibiting defence exports to Iraq or Iran while they were at war.

The document – released during the Matrix Churchill trial – says dropping the guidelines would enable "the further release of items the Iranians have already paid for".

The document says that if the negotiations with Iran "go badly and the Iranians force us to arbitration, it could cost us up to £200m or more".

Britain in brief

Safety body 'undermined' EC directive

The Health and Safety Executive never intended to implement fully a European Community safety directive and had been "actively undermining" measures intended to protect people at work, a union claimed yesterday.

A confidential policy paper, prepared by the HSE's management board for the implementation of the main "framework directive", shows how EC attempts to protect workers have been "watered down", the GMB general union said.

The framework directive spells out the general principles of health and safety regulation, many of which are implicit in the UK's Health and Safety at Work Act. It sets the context for five "daughter" directives. These are more specific, dealing with, for example, VDU screen work and manual handling of loads.

The HSE said the leaked document was "old hat" and part of the "normal thinking process at an early stage in the development of the HSE's approach to implementing the directives. The GMB said the document was "deeply disturbing" and exposed the HSE as actively undermining measures intended to protect people at work.

Guidance urged on accounts

Guidance from Companies House on the requirements for filing accounts by foreign companies operating in the UK is not sufficiently clear, according to the Institute of Chartered Accountants in England and Wales.

In a letter to Companies House, the government's corporate information depository, the company law committee calls for clarification of the position of EC member state companies with UK branches and non-EC companies with a "place of business" in the UK.

Charter for family doctors

The government is about to extend the National Health Service Patient's Charter to family doctors and other areas of primary care.

So far, the Department of Health's contribution to the Citizen's Charter – the government's initiative to improve the accountability of public services – has concentrated on hospital services, but 90 per cent of medical consultations begin and end with general practitioners.

The charter proposals will set out a range of standards including maximum waiting times for urgent consultations with GPs, for routine consultations and to see a chosen doctor in a group practice.

City investment

Norwich Union Life Assurance has struck the largest investment deal in the City of London for over 15 months by selling an office building to DGI, Germany's second-largest open ended fund, for an estimated £78m. The 260,000 sq ft building at Ropemaker Place in London's EC2, is the European headquarters of Merrill Lynch. German investors have spent over £300m on London office buildings over the last year.

Latin success

At Sotheby's in New York on Monday there were eight artist records, including $1.54m for La Casa de las Gemelas Arias, by Fernando Botero, showing a group of characteristically plump girls and clients in a Colombian brothel. Another record was the $1.485m which secured Mujer en Extasis by Rufino Tamayo. It depicts a woman who is almost transformed into a Mexican landscape. The evening sale totalled $10.46m and was over 90 per cent sold by value.

European green audit warning

Attempts to include local authorities in European Community requirements for environmental auditing would dilute the proposed regulations and should be strongly resisted, the House of Lords select committee on the environment was told yesterday.

Mr David Wheeler, environment health and safety manager at Body Shop, the retailer, argued that eco-audits should be mandatory for British companies but not extended to local authorities.

Pension plans

The government has announced plans to change the tax incentives it offers to personal pension holders in a move widely seen as an admission that the current system may do nothing to reduce state pension expense.

In a reversal of its previous policy, the government said that from 1996 it intended to offer age-related tax rebates which would be more generous to older people. But it still intends to reduce tax breaks for the young.

"The government is committed to considering options for a new system of rebates related to age to come into effect from April 1996 for personal pension holders," said the Department of Social Security.

Sick trees

Britain's forests are the most extensively damaged in Europe and their condition is worsening, according to a survey by the United Nations Economic Commission for Europe and the European Community.

Of the 28 countries surveyed, Britain had by far the highest proportion of defoliated trees in 1991 with nearly 57 per cent having lost more than a quarter of their leaves. In 10 other countries this proportion was between 20 per cent and 45 per cent. The majority of badly affected forests, notably of conifers, are in Britain, Bulgaria, Czechoslovakia, Germany, Lithuania, Poland and Slovenia.

Former FT editor dies

Archibald Hugh Tennent Chisholm, editor of the Financial Times from 1937 to 1940, has died at the age of 90. Although originally a writer in the London office of the Wall Street Journal, he spent most of his working life in the oil business. When he took over at the Financial Times, the paper was still competing with the Financial News.

PEOPLE

Sir Brian Shaw to chair PLA

Sir Brian Shaw's appointment as the next chairman of the Port of London Authority is a sure sign that Britain's biggest port is no longer regarded as a lame duck.

It is the first time for many years that the government has recruited a chairman from the PLA board rather than parachute in an outside troubleshooter. Sir Brian – a board member since 1987 – takes over from former TI chairman Sir Brian Kellett on January 1.

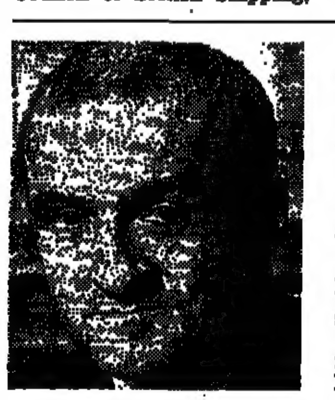
Before Sir Brian Kellett's arrival in 1985, the PLA had lost over £52m in nine years, and he has overseen its return to profitability and the privatisation of of Tilbury, its last remaining dock undertaking.

Sir Brian Shaw, a former chairman of Furness Withy and ex-president of the General Council of British Shipping, admits that he is the first person for a long time to "have a clear run at the job" without having to spend his time worrying about the dock labour problems which dominated the lives of many of his predecessors.

The PLA still has a lot of debt, and will need to refinance itself at some stage. But the sale of Tilbury means it can now concentrate on its primary task of managing the navigation and conservancy of 150 kms of the River Thames downstream from Teddington.

Like many Londoners, Sir Brian, 59, is keen to promote more use of the river. "We have a six-lane highway going through the heart of London and virtually no one uses it," he says. Under his chairmanship, he hopes that the PLA can be a catalyst for change on the river.

The PLA, which still employs 550 staff, is no longer the power in the land it once was when London was the world's biggest port. However, Sir Brian still has an important ambassadorial role to play in promoting the interests of a port which handles 52m tonnes of trade a year. (See Observer)



Richard Packer (left), 48, is to take over from Sir Derek Andrews as permanent secretary at the Ministry of Agriculture, Fisheries and Food, when the latter retires next February.

A chemist by training, Packer joined the Inland Revenue as an inspector of taxes in 1966, and transferred to MAFF in 1967. He was seconded to the diplomatic service in Brussels during the 1970s and in 1987 was appointed director of regional management for MAFF. He was promoted to deputy secretary in 1989.

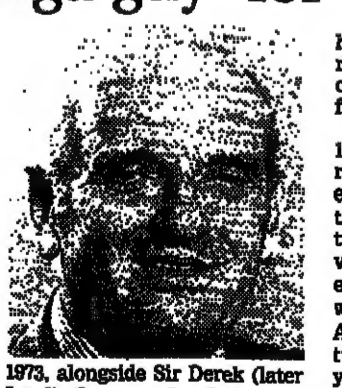
David Hadley, 56, will take over Packer's responsibility for the ministry's agricultural commodities, trade and food production directorate. He joined MAFF after graduating from Oxford University in 1959 and apart from periods of some three-and-a-half years each in the Treasury and the cabinet office has spent the bulk of his career with MAFF. Since July 1989 he has been head of the European secretariat in the cabinet office.

Lewis: a 'mega-guy' for Gabicci

Henry Lewis, a former joint managing director of Marks & Spencer, has joined the board of USM-quoted casual clothing group Gabicci as a non-executive director; Michael Abrahams has ceased to be managing and finance director.

Gabicci, which was founded in 1973 by current chairman Jack Sofier – whose wife dreamt up the name – had recently been approached by the considerably bigger clothing distributor Helene, but talks collapsed at an early stage after information was leaked to the media.

Sofier, 60, who has known Lewis since they met on Sofier's honeymoon 37 years ago, describes the appointment as "an incredible coup. We're a tin-pot little company and he is a mega guy".



Lewis, 66, was joint managing director of Marks from 1973, alongside Sir Derek (later Lord) Rayner; Lord Rayner became chairman in 1984 and Lewis retired in 1985. Since then he was deputy chairman of Berisford for three years, and is currently a director of Dixons and Porter Chadburn. He considers Gabicci "a very well-managed company that has an impressive group of young and lively people". But he thinks it has reached maturity and is in need of "a little outside experience" to steer its future path.

Sofier, who currently owns 14 per cent of the company, is reluctant to discuss the "difference of opinion over strategy" that led to Abrahams' departure, but will say that "it is my view we could operate more efficiently and better if we were part of a large group". Abrahams had combined the two roles for the past two years, and was finance director for the previous eight. He is still on the board in a non-executive capacity: "It is up to him to resign. I am quite comfortable he will," says Sofier.

The chairman now takes on the job of managing director as well, and is looking for a finance director. "I'm a very young 60. I have no plans to put my feet up," says Sofier.

Debate opens on future role of BBC

By Raymond Snoddy

THE government yesterday launched a fundamental debate on the future of the BBC with a commitment to public service broadcasting coupled with a warning that the corporation would have to become more efficient.

The consultation document on the corporation's future is the first stage in the renewal of the BBC's royal charter which runs out at the end of 1996 – with a 15-year renewal in prospect.

Mr Peter Brooke, the national heritage secretary, introducing the document which seems more intent on modernising the BBC than radically altering it, said that in many ways "the BBC had both embodied and communicated our national heritage".

Yet the corporation could not continue as if nothing had changed since it was granted its present royal charter in 1981. With more television channels and more choice, "the role, function and organisation of the BBC was bound to change."

In contrast to government reform of the ITV systems, yesterday's document raised many more questions than answers and set out a range of options.

The options for debate include:

- A smaller BBC concentrating on providing what the market does not supply. This option could lead to a loss of Radios 1 and 2 and only one national BBC Television channel.
- Privatisation or contracting out of many of the services supporting programme makers.
- Creation of a Public Service Broadcasting Council which could handle licence fee money but distribute it to a variety of public service broadcasters.

The BBC licence fee is likely to survive, the consultation document suggests, if only because it has so far been unable to find a more efficient system.

The government made it clear that no matter how the BBC is financed in the future the corporation not only had to give value for money but demonstrate that it was doing so while maintaining programme quality.

Facelift for Auntie, Page 12
Editorial Comment, Page 12

Further 600 jobs cut at simulator manufacturer

By Michael Cassell

ANOTHER 600 people are to lose their jobs at Hughes Rediffusion Simulation, the US-owned flight simulator manufacturer based at Crawley in southern England.

The announcement deals a fresh blow to the town, which prospered during the 1980s as nearby Gatwick airport expanded, but has been badly hit by the recession.

Last year, 800 local jobs were lost with the collapse of Air Europe and 1,400 jobs are going with the merger of Dan-Air and British Airways. Hundreds of jobs in local related businesses are under threat.

Hughes Rediffusion, experiencing lower orders from civilian and military customers, has already made about 1,000 workers redundant over the past two years. The latest job cuts, involving about a third of the remaining workforce, follows the integration of five satellite factories into the Crawley complex in April.

The simulators, which sell for between £5m and £7m each, are bought by most leading airlines, which have reduced the size of aircraft fleets and training programmes in the face of the recession. Hughes Rediffusion is part of Los Angeles-based Hughes Aircraft, itself a subsidiary of General Motors Hughes Electronics.

Meanwhile, Shell UK is to shed 500 of the 1,850 jobs at its Stanlow refinery in Ellesmere Port, Cheshire, the fifth largest of Shell's 53 oil refineries worldwide, writes Deborah Hargreaves.

The company said an efficiency study had found overstaffing and inefficient working patterns and that the cuts were necessary to secure a viable future for the plant.

Shell said the financial and trading climate for its refinery operations was "extremely difficult". Stanlow was making only a two per cent return on capital invested.

Europe is suffering widespread over-capacity in oil refining and petrochemicals production and the recession has damped demand.

Celebratory pomp marred by circumstances

By Ralph Atkins

ALL THE Queen's troubles – from the row over her tax position and the future of the monarchy to fires at Windsor Castle, from rumours about Royal marriages to a early winter cold – provoked a unregal admission of humility yesterday.

She told a City of London audience that 1992 had been "an annus horribilis".

In a rare appeal for personal sympathy, the Queen suggested to her critics that scrutiny "can be just as effective if it is made with a touch of gentleness, good humour and understanding."

Her speech, at a lunch celebrating the fortieth anniversary of her reign, may instead have marked a low point in the fortunes of the House of Windsor.

An ITN poll this week showed 76 per cent believe the cost of the Royal family should be cut and 61 per cent would like to restrict the publicly-funded members of the Royal Family to just the Queen, her heir and the Queen Mother.

Prime minister John Major leans over Lord Mayor Sir Francis Williams to talk to the Queen

The Queen said that, "there can be no doubt, of course, that criticism is good for people and institutions that are part of public life.

"No institution, City, monarch, whatever, should expect to be free from the scrutiny of those who give it their loyalty and support – not to mention those who don't."

She added: "This sort of questioning can also act ... as an effective engine for change."

Speaking to an audience that included Mr John Major, the prime minister, and Mr John Smith, Labour leader, the Queen said: "1992 is not a year on which I shall look back with undiluted pleasure. In the words of one of my more sympathetic correspondents, it has turned out to be an 'annus horribilis'".

Her short speech had been brought forward from after lunch to before because her voice was weakened by a cold.

Afterwards, her most vociferous critics showed little more understanding. Mr Tony Banks, Labour MP and republican, said: "I know people in my constituency who can genuinely say it has been a bad year. I don't believe she has had her house repossessed."

But Mr Toby Jessel, the Tory MP, said that there was "far too much malice and envy around".

Proving that the Queen still commands a majority among Her Majesty's opposition as well as her government, Mr John Smith said: "She is entitled to defend herself and she did it rather wittily and rather charmingly – it is probably true that she has had a horrible year."

UK economists predict weak growth for 1990s

UK ECONOMIC growth next year will be too weak to stall further rises in unemployment, which will remain very high for the rest of the decade, the Society of Business Economists says today, writes Emma Tucker.

According to the society's latest forecast, gross domestic product will grow by only 0.5 per cent next year – half the rate forecast by the Treasury in the Autumn Statement this month.

As unemployment continues to rise next year, lack of confidence because of job insecurity, along with the high burden of debt and a subdued housing market, will dampen the recovery.

The society forecasts inflation will remain low in the short term, but will start to move upwards at the end of next year and during 1994. Of the 116 economists surveyed, only 7 per cent expected GDP to fall again in 1993, compared with 78 per cent forecasting growth of between 0 per cent and 2 per cent next year.

The society also expects the current-account deficit will narrow marginally over the next two years to about £11bn in 1994.

Bombing costs reverberate around City

The IRA threat has hit insurance premiums write Richard Lapper, Vanessa Houlder and Jimmy Burns

EIGHT months after the IRA bomb blasts in the City of London, the reverberations are still being felt by business and its insurers.

Earlier this month the Association of British Insurers advised its member companies to withdraw cover for terrorism, leaving many of the country's leading companies facing potentially catastrophic losses.

Insurance brokers say they are most concerned about clients who have expensive London headquarters or those – such as life insurers – who own properties as part of their investment portfolios.

Property owners are examining alternative methods of insuring against terrorism damage, as they cannot individually shoulder the risks of terrorist action. "No individual property owner would have a sufficient capital base to take that risk," said Mr James Tuckey, vice-president of the British Property Federation.

The implications of withdrawal of cover would extend beyond the targets of terrorism because it would affect property values and the ease of raising finance.

Property owners have already faced big increases in rates for their insurance, which has traditionally included cover for terrorism.

Average rates for all-risks property policies, which until January 1993 will include cover for terrorism, amount to between 0.04 per cent and 0.07 per cent of the rebuilding cost, an average rise of over 20 per cent on rates charged a year ago. One property owner insuring a modern purpose built office block in London this week paid a premium of £24,000 to insure a property valued at £40m, a rate of 0.06 per cent.

The rate increases partly reflect the increase in incidents of arson, crime and other recession-related claims.

In addition, there have been a number of significant heavy losses to commercial property in the City itself, reflecting the introduction of more sophisticated construction techniques, the greater use of computer equipment and the cost of business interruption losses.

A fire last year at the London Underwriting Centre in the City – purpose built offices ironically designed for insurers – caused losses in excess of £100m, including loss of rental income. It was one of the heaviest ever, and woke up insurers to the dangers of buildings with atriums.

This year's bomb blasts have served to underline the extent of the increasing exposures. The losses are large – insurers and their reinsurers face a bill for an estimated £800m, for the damage to buildings in the City and at Staples Corner in North London.

Moreover the loss could have been bigger still. For example, the Commercial Union tower, near the heart of the blast, sustained losses of between £80m and £100m even though it was not totally destroyed. "The bomb showed that the exposures involved were much greater than anyone had ever appreciated before," said one reinsurer. "It really helped focus the market's mind."

The ABI said that by refusing to offer reinsurance cover for terrorism, reinsurers forced the hand of companies who have insufficient capital to sustain on their books a catloss such as that in the City.

Next year much will depend on efforts by the ABI and the Association of Insurance and Risk Managers in Industry and Commerce (Airmic), which represents more than 300 British companies. Both organisations are studying schemes which would involve government participation in a reinsurance arrangement, allowing insurers to cover the risk on the same basis at present.

One broker yesterday suggested that the industry could afford to offer no more than £10m of coverage per customer.

Premiums could be punitively expensive – one broker reported that a leading UK insurer was offering to insure terrorism at a rate of 25 per cent, over 1,000 times higher than current rates.

Many companies are preparing for the worst. Numerous City companies are holding conferences with the police anti-terrorist branch and M15 to try to work out how best to deal with the terrorist threat.

MANAGEMENT

Europe's largest computer services company is fast being transformed, reports William Dawkins

The network links up

The vital step from being a company with many international subsidiaries to becoming a true multinational group can make or break a business.

One company facing just that challenge today is the FFr10bn (£1.22bn) turnover Cap Gemini Sogeti (CGS), Europe's largest computer services company. It is in the throes of trying to turn itself from a loosely co-ordinated federation of small autonomous branches in 16 countries into a single coherent group in the midst of the toughest downturn it has ever experienced.

What CGS is going through provides a valuable example for other companies facing the same painful transformation, as they adapt their organisations to the internationalisation of their markets.

"It is a major cultural change, a huge process," says Geoff Unwin, one of CGS's presidents responsible for implementing the change. Branch managers have been asked to pool much of their cherished independence and learn to work in partnership with other subsidiaries. The key has been to get the right balance between the dose of centralisation needed to make this possible, while not harming the independent spirit which fosters vital creativity in service businesses, CGS executives explain .

The new organisation, presented at a conference of CGS's top 500 managers last June, has not been easy to set up. Implementation has only just begun, three years after Serge Kampf, founder and chairman of the 17-year-old French group, opened an internal debate. The change came in response to several problems which will strike echoes with other internationally expanding groups.

CGS's staff has doubled, mainly through acquisitions, to 21,000 over five years, outstripping the old, highly decentralised organisation.

Its big customers increasingly demand identical computer services in several countries at once, such as a recent order from BP Oil to harmonise its national computer systems across Europe. It also faces growing cut-price competition from computer producers which are diversifying into CGS's core business because of the downturn in the hardware market.

"The old organisation, a myriad of 50-person branches, was easy to control," says Philippe Gluntz, the former Alcatel executive hired three years ago to lead the re-think. "All you had to do was to tell them to make a profit and give customer satisfaction. We now move to a more complex world, where a 50-person branch cannot supply the range of technologies and services that a customer requires."

Unwin, former chairman of Hoskyns, the UK group which is CGS's biggest acquisition, adds: "We have been through a period of what you might call strategic assembly, of buying companies and letting them run themselves. Now we need to be able to operate transnationally."

The solution, decided after intense internal debate, was to leave the local branches intact but to organise them into seven so-called "strategic business areas (SBAs)" each employing an average of 3,500 people.

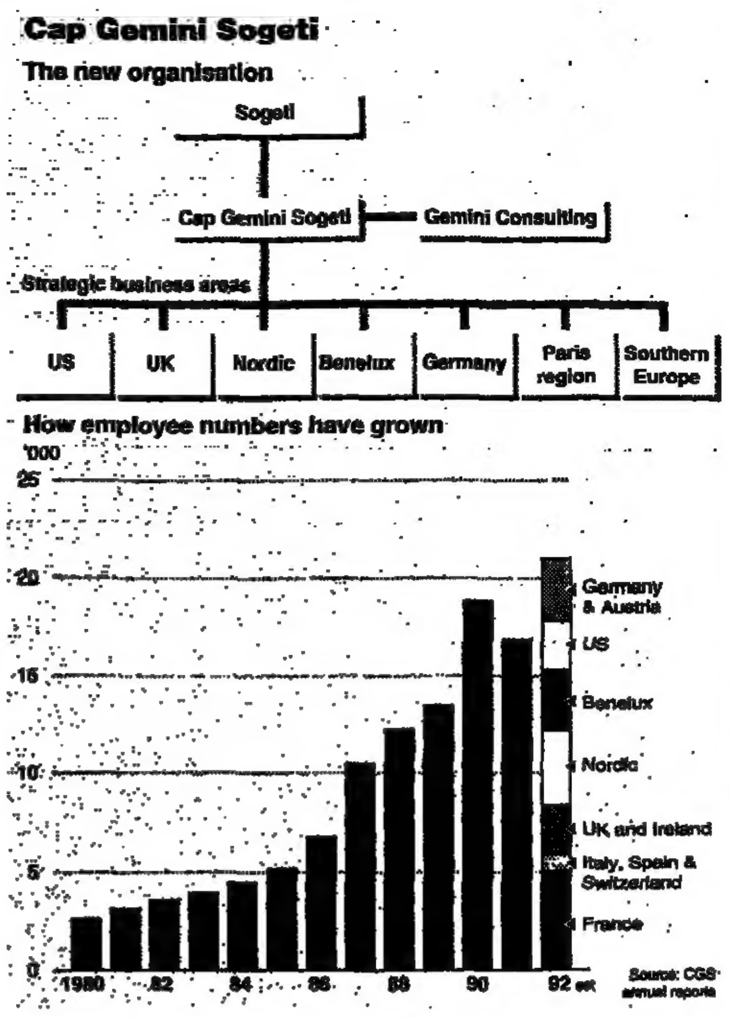
The SBAs, each managed by two vice-presidents, are organised along both geographical and industry sector lines so that different regions specialise in the sector where they are naturally strong. France handles telecommunications, for example, while the US handles oil and gas and the UK is in charge of finance and "outsourcing" – where corporate customers asks contractors to manage their entire data processing departments – a fast-growing part of CGS's business. Each area is then split into seven so-called "market development units", which co-ordinate the old branches.

In this way, explains Unwin, an SBA member branch can take an order from a local customer which might be outside its usual business sector or geographical area and subcontract it within the group. Previously, the local branch might not even have considered trying to win such a contract.

To help different units across the world work on the same projects coherently, the group has drawn up what Unwin calls a "highway code" of common legal and technical definitions. This is supported by CGS's first cross-group quality control system, christened Perform, which sets common standards for the kinds of technical solutions customers will be offered and the conduct of projects. It also defines the scope of contracts.

"We have tried to take the best practice from each unit and apply it across the group. You can't afford to spend weeks arguing about which kind of software to use while the competition walks by," explains Unwin. Perform is to be operational across the group by the end of this year.

CGS has turned to its own management consultancy arm, Gemini Consulting, to help spread the message across the group, employing at one stage 500 people in a joint CGS-Gemini Consulting team. CGS has always had a consultancy unit, but expanded it substantially two years ago on the grounds that an increasing number of clients' computer problems had a human management dimension as well. Gemini Consulting, formed from the merger of three acquisitions with the group's own team, has 1,500 consultants. Another tool to encourage more team behaviour has been to alter the pay bonus system from rewarding individual performance alone, to rewarding sector performance as well.



In the end, says Unwin, most branch managers realised they had no choice because the old organisation simply did not fit with the way the industry was moving.

"The larger companies are grabbing market share, and gradually moving down to push out smaller players. So you will see a polarisation between big multinationals and small niche players, active in one country only. The branch managers knew they would simply be pushed out of the market by this process unless they took advantage of CGS's internationalisation," says Unwin.

CGS had no inkling that it was about to enter the toughest market conditions it has ever known when it embarked on the rethink. Last year, CGS's profits fell for the first time – by 10 per cent – due to a reduction in big customers' investment in computer services and the increase in competition from computer suppliers. There have, as a result, been staff reductions in some areas with 500 job losses in France this year.

Surprisingly, Unwin has no regrets about what might look like unfortunate timing. "Perversely, these tough market conditions are helping us change. They make people question what they are doing. It's the trigger we need." Other managers in other industries could well benefit from making the most of bad times while they last.

Better safe than sorry when you go to work

Catherine Milton looks at a series of new regulations that will soon be affecting UK employers

Employers will wake up to seven new sets of safety regulations on January 1 next year, governing a range of workplace issues from lifting loads to visual display units.

Latest figures show that an average of nine workers are killed each week in Britain and there are about 1.4m work-related injuries every year, the Health and Safety Commission (HSC) announced at the launch of Workplace Health and Safety Week – the biggest ever drive to improve workplace safety in the UK which began on Monday.

The regulations have been criticised by the GMB general union which yesterday said a leaked document showed the Health and Safety Executive had "looked for ways to water down and block" UK obligations under European law which the regulations are designed to implement.

The HSC estimates that industry may face costs of £300m in the first year of implementing the new laws, although it says that employers that already meet existing obligations should not find the regulations onerous.

In all cases employers are required to reduce risks "as far as is reasonably practicable", which means to the point where the cost of further measures would be disproportionate to benefits.

Four sets of regulations have already been published for which Health and Safety Executive guidance is available:

- Management of Health and Safety at Work Regulations. The main duties for employers are to assess the health and safety risks to employees and others who may be affected by their work and act on that assessment; appoint "competent people" – employees or outsiders – to implement measures; set up emergency procedures; inform and train employees to avoid risks; monitor employees' health where necessary and consult employee representatives.
- Health and Safety (Display Screen Equipment) Regulations are the first for VDU screen work and affect all those who habitually use display screen equipment as a significant part of their normal work.

Employers must assess the risks posed by workstations and reduce them; ensure that workstations comply with requirements for screens, keyboards, working environments, task design and software. New workstations will have to comply immediately; those operating before December 31 1992 have until 31 December 1996.

For direct employees only, employers will have to plan periodic breaks from screen work, provide eye-tests, special glasses and provide adequate training. Those who use screens intermittently may not be covered at all.

- *Manual Handling Operations* Regulations will apply to all industries and services, replacing earlier legislation which applied only to some sectors. They abandon old weight limits and adopt broad guidelines and an ergonomic approach.

The main duties on employers are to avoid the need for manual handling operations involving a risk of injury; make an assessment of the risk of injury from manual handling and reduce risks.

- An amendment to the Control of Substances Hazardous to Health Regulations 1988 emphasises the prevention of exposure to carcinogens at work by using alternative *substances or processes* and by means of enclosed systems of work.

Three further sets of regulations are due later this month or early next. Exact provision are not yet known, but the main obligations will reflect the requirements of their parent European directives.

- Provision and Use of Work Equipment Regulations. Employers in all industries will have to select equipment according to working conditions and hazards; ensure equipment is suitable, maintained and properly used; give adequate information and training.
- Personal Protective Equipment at Work. Employers will have to assess risks and ensure personal protective equipment is suitable according to requirements laid down.
- Workplace (Health, Safety and Welfare) Regulations govern a wide range of issues in permanent workplaces (not building sites) such as *temperature, space and lighting*; safety devices for doors, gates and escalators and requirements for the construction and maintenance of floors.

The HSE has published a leaflet called New Health and Safety at Work Regulations available from its Freeleaflet line 0742 892346 or the HSE Information Centre, Broad Lane, Sheffield S3 7HQ.

The chlorine industry is taking a beating, but it's not giving up without a fight, reports **Peter Knight**

Surviving under fire

Chlorine, one of the chemical industry's main building blocks – it is used in plastics, pesticides, and pharmaceuticals – would be banned if many environmental campaigners had their way.

Greenpeace has mounted a strong campaign against its use, as has a smaller UK organisation, the Women's Environmental Network, which has concentrated on chlorine. But now, after much dithering, the chlorine industry and manufacturers of products which use the chemical are fighting back.

It is not that their survival is at stake. Chlorine is too important an ingredient in many modern products – packaging, paint, and insulating products also contain it – for this to be severely threatened. But pressure from public opinion against the use of chlorinated substances, especially where alternatives exist, is taking its toll.

Bob Hunt, managing director of ICI Chlor Chemicals and chairman of Euro Chlor, the European industry federation, says the industry's growth prospects are small. Besides the recession, the environmental threat is one of the main factors constricting the business. "We certainly won't see the growth we have enjoyed over the past years," he said.

John Elkington, an environmental consultant, also foresees tougher times ahead for the industry. "I don't see chlorine being flushed out of the industrial system. But the campaigners have got a strong grip on some parts of the chemical industry and they will continue squeezing for some time."

Chlorine is a gas formed by passing electricity through salt. For every tonne of chlorine made – output in Europe is about 9m tonnes a year – more than a tonne of caustic soda is produced. Other big producers include Solvay, Bayer and Akzo.

Throughout the world, chlorine and its derivatives are used to disinfect drinking water. But its main importance is in the production of other products, including industrial chemicals.

Some retain chlorine at the end of the process. Chlorinated products like DDT, PCB and CFCs have been implicated in global environmental problems. And dioxins – considered to be one of the world's most dangerous group of poisons – are created when chlorinated substances, such as PVC and PCB, are burnt at low temperatures.

Furthermore, the traditional method of making chlorine involves mercury. Small but sometimes dangerous quantities of the metal are emitted as waste into rivers and the sea. But – as the chemical industry is keen to point out – chlorine is an integral part of daily life.

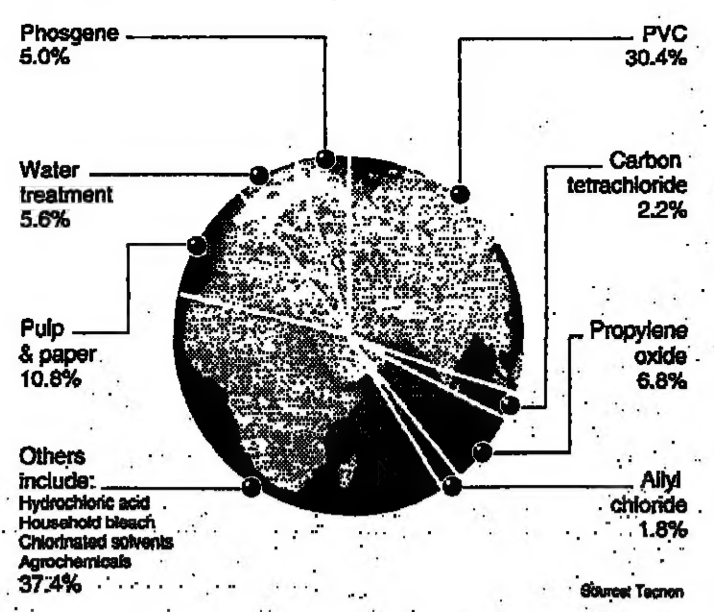
Only small amounts of chlorine are sold on the open market. Most production goes straight to associated plants which make other products. About half of the European production is used to make plastics.

Chief among these is PVC which is made by reacting ethylene – derived from oil – with chlorine. PVC is used, among other things, as packaging to insulate electrical equipment, and to make window frames. Other plastics using chlorine include polyurethanes, polycarbonates and epoxy resins.

Chlorine is also an intermediate in the production of titanium dioxide (the white pigment in paint and toothpaste) and silicones. Chlorinated solvents, such as perchloroethylene and methlyl chloroform, are widely used as cleaning agents in industry. Only a small amount (not more than 6 per cent) of the world's total chlorine production is used to purify water.

The chlorine industry and businesses using products made with it are under pressure from two related fronts: environmental campaigners want to force the industry's closure and politicians are trying to control the build-up of chlorinated waste.

Global chlorine consumption 1990



Source: Tecnon

Campaigners have successfully highlighted possible health risks from the use and disposal of some chlorinated products. Among these are the creation of dioxins when PVC is burned in municipal incinerators and the production of potentially harmful by-products when chlorine reacts with other substances.

The industry has answers for most accusations, but the campaigners' position is strengthened by chlorine's involvement in pollution incidents where there is no disagreement about the environmental damage caused. These include CFCs' role in the depletion of the ozone layer and the harmful effect of DDT and PCBs.

The industry has also had a poor record of voluntarily withdrawing potentially harmful products. It is, for example, still making and selling CFCs while it develops alternatives. And it is likely that this will continue until it becomes illegal to make the product.

Hunt says this attitude is changing. "We have always withdrawn products which were demonstrably harmful to people and the environment. If there are other products like this, then the industry will phase them out as fast as possible.

"But we also need to be careful that the substitutes are safe. We are not doing this purely to protect our income. We do have a number of customers who simply don't know what to do when there are no ready alternatives."

This view is backed by Robert Smerko of the Chlorine Institute, the US trade body. But campaigners remain sceptical and point to the industry's continued manufacture of CFCs as evidence of its recalcitrance.

"Given that companies are still producing CFCs, we do not hold out much hope that they will withdraw other products in the future. The industry is playing Russian roulette with the environment," says Madeleine Cobbing of Greenpeace.

Yet while the mass of scientific evidence collected by Greenpeace and other campaigners is startling, its validity is not overwhelming because much of it is questioned by other scientists. For example, dioxins are probably the most studied group of poisons in the world, but it is impossible to get an unequivocal answer from the scientific community about the threat to humans.

However, the campaigners have been winning the public relations battle and this is reflected in the market. Some large retail chains like Migros in Switzerland, Tengelmann in Germany, and Ikea of Sweden, have started to phase out their use of PVC. Some German and Danish local authorities no longer use PVC in public buildings and hospitals. The paper and pulp business is also moving away from chlorine bleaching.

These pressures worry the chlorine industry. "The threat is of sufficient concern that it is regularly debated at board level. But we are beginning to get together a balanced set of views to respond to some of the more extreme accusations made against us," says Hunt.

Stephen Harriman of Harriman Chemsult, a chemical consultancy, feels the industry has to defend a diminishing base. "The industry is having to retreat in some areas, notably CFCs and pulp bleaching. It might offer the best product for the job but it is faced with a negative emotional response from the consumers. Over the next 15 to 20 years, chlorine will probably retreat into the areas where it has no parallel on quality, such as PVC, water treatment and chemical synthesis."

Courts crack down

A damages award made by the appeal court last week is one of the biggest ever in the UK for environmental pollution. The judgment could redefine the *potential liabilities of* businesses and insurers.

Three court of appeal judges awarded £1,046,866 against a leather tannery, Eastern Counties Leatherwork, to Cambridge Water Company in compensation for contaminating a water aquifer.

The water company had sued after it was forced to abandon a borehole at Sawston, Cambridgeshire, in 1976 after discovering concentrations in ground water of perchloroethene (PCEs), a dry-cleaning fluid used to degrease animal pelts which can be carcinogenic in large quantities.

In an original judgment last July, Mr Justice Ian Kennedy found that PCEs had been accidentally spilled more than 17 years ago, but that the leather company could not have foreseen the pollution and was therefore not liable. But in the appeal court ruling, which is binding in all high courts, the judges found that the fact the pollution was unforeseeable made no difference to liability.

The court found that ECL was not negligent, but liable "in nuisance" – an older legal concept under which it is not necessary to prove any fault to show liability.

According to Paul Taylor, of Berrymans, the solicitors acting for ECL and its insurers, the judgment "changes the goalposts" for environmental liability cases, and makes companies more vulnerable.

"Hundreds of companies who dumped their goods on waste ground 20 to 30 years ago could now find themselves strictly liable," he says.

UK insurers have tended to underplay the dangers of claims arising from liability in nuisance, often offering the cover at little or no extra cost. This case could well serve as a warning that UK courts are becoming more sympathetic to plaintiffs in these kinds of cases.

Richard Lapper

Industry heated over CFC ban

International agreement to prevent damage to the ozone layer was hailed as one of the last decade's environmental successes. A further tightening of the rules is likely to result from a three-day meeting in Copenhagen, ending today, of the 93 countries which signed the 1987 Montreal Protocol.

But the chemical industry argues that the new rules may be unrealistically tight by threatening to ban newly discovered substitutes and so jeopardising future investment.

The thinning of the earth's protective ozone layer was detected in the late 1970s. The depletion has been linked partly to man-made chemicals – particularly chlorofluorocarbons (CFCs) which are used widely in refrigeration, and halons, used in firefighting. The Copenhagen conference is likely to advance the date for their phasing out from 2000 to 1996.

Reaction to the 1987 treaty was fast – the developed countries' consumption of CFCs and halons fell by some 30 per cent between 1986 and 1990.

Mike Harris, external relations manager of ICI's fluorocarbons operation, expects that by 2000 half of the original CFC market will have gone to ammonia, propane and other existing chemicals, a sixth to HCFCs (20 to 50 times less damaging than CFCs but five to seven times more costly) and a third to HFCs, not implicated in ozone damage but claimed to contribute to global warming.

The scale of that change in the market demanded rapid development by the producers. Since 1986, Du Pont has invested $450m (£300m) to develop replacements and expects that to reach $1bn by the end of 1995, when it plans to stop CFC production. It says CFCs accounted for only 1 per cent of its annual revenue of some $38bn, but it had to find a replacement as it could not afford to be out of the air-conditioning market. Du Pont expects the payback on the investment to take at least 10 years.

ICI has spent some £260m since 1986, particularly on HFCs for car air-conditioning. It intends to phase out all Montreal Protocol-controlled chemicals by the end of 1995. Although Harris will not comment on the payback on that investment, he says it has made cashflow for the division negative.

Given the scale of their investment, the companies oppose any control of HCFCs and HFCs. Tony Vogelsberg, Du Pont's environmental manager, says he does not expect international action yet against HFCs, but this could occur nationally through concern over global warming. "We certainly regard our investment in CFC substitutes as being at risk. Society needs to be careful or it could block the solutions it is trying to find."

These arguments do not impress environmental groups. "It's nonsense – there are non-damaging alternatives for all these products," says Chris Rose of Greenpeace.

The antagonism between environmental groups and chemical companies is one of the environmental debates' longest-established features. When chemical companies are coy about the return they expect on their investments, one should be sceptical of taking at face value their claims that incentives are not high enough.

But the success of the five years of the Montreal Protocol has been based on the easy availability of substitutes; the trickiest points in Copenhagen have come where further substitutes are not available. The chemical companies' emphasis on the cost of developing alternatives is a useful reminder that change costs money.

Bronwen Maddox

Television/**Christopher Dunkley**

It's a funny thing, comedy

It may seem like a fool's game to try to provide an over-view of comedy in a week when a comedian as renowned as Rowan Atkinson has come such a cropper attempting something similar. In the first of his six-part BBC2 series *Funny Business* Atkinson tried to have things both ways. On the one hand he sought to send up the idea of solemnly analysing comedy by adopting the role of an owlish Oxford don giving a lecture on the subject. Nigel Planer has proved exhaustively that this sort of gag works in small quantities: two minutes, OK; five minutes, maybe; 55 minutes, disaster.

On the other hand Atkinson seems to have genuine ambitions to teach us all about comedy. He told us that it was to do with mimicry, parody, things being unnaturally big, unnaturally fast, spooky, appearing suddenly, disappearing suddenly, exaggeration, humiliating surprises, causing offence, spreading confusion, role reversal, embarrassment, and much more. The absurdity of this catalogue, which merely proved that you could find comedy in anything, never seems to have occured to him. (No, it was not the silly don who was so blind, it was Atkinson – or his script writers). Worse, Atkinson seems to believe that his own physical comedy style bears comparison with those of Chaplin, Tati, Cleese and even the master, Keaton. It does not. Though I have smiled occasionally at his silent sketches, far more often when I see Mr Bean I feel embarrassed for Mr Atkinson.

However, it is not the purpose of this column to puzzle out why we laugh at the pratfall (the best in *Funny Business* was from David Jason, leaning nonchalantly on a non-existent bar in *Only Fools And Horses*). The question people are always asking television critics is "Why aren't there any really funny series around any more, you know, like *Fawlty Towers* and *Dad's Army* and *Steptoe And Son*?"

The first answer is that all those series are still with us and are being re-run either on the new repeats channel, UK Gold (now available to dish owners free from the Astra satellite, though eventually we shall have to pay; at midnight on Saturday I bumped into *The Young Ones* and stayed for *Three Of A Kind*, the series which really established Lenny Henry and where Tracey Ullman last did consistently good work) or they are being repeated on one of the terrestrial channels, or they are available for a pittance from your local video shop.


Rowan Atkinson: slipped on his own banana skin

The second answer is that if only we would take off our rose tinted spectacles and look carefully at today's television we would find that there is much more comedy than in the days of Harold Steptoe or even Basil Fawlty; that it is more varied in form, length and style; and that the best of it does stand comparison with the greats of old. No doubt 20 years from now our children will be saying to their children "Of course you don't remember TV comedy in the good old days. Do you know, there was a time when new series of *Drop The Dead Donkey*, *Red Dwarf*, *Waiting For God* and *The Golden Girls* all began in the same year".

If we do limit ourselves to sitcoms there are some splendid examples around. *Waiting For God* is not only top of the present heap but one of the best ever: writer Michael Aitkens will brave any subject from euthanasia to childbirth, forcing himself into superb displays of knife-edge balancing, avoiding both pathos and bathos; the acting from Stephanie Cole and Graham Crowden is as good as you will find anywhere in British drama; and you know you are onto something special when supposedly subordinate characters such as those played by Daniel Hill and Janine Duvitski are given lines like these: "Tom Bower, what was he doing throwing a boomerang from a moving train?" "Testing Einstein's theory of relativity". "Einstein? Who's he, another troublemaker?" "A scientist and philosopher who theorised that the space-time continuum was probably a curve". "Oh *that* Einstein". "Tom, by throwing an object that curves naturally in flight, was trying to show that it would return to the same place a second before it left". "And what happened?" "It broke the window of the buffet car".


Scene stealer Joanna Lumley with Jennifer Saunders in 'Absolutely Fabulous'

Jennifer Saunders' new BBC2 series, *Absolutely Fabulous*, about a couple of 1990s freaks working in the fashion business has been rolling about funny so far, though it may be showing its limitations after only two episodes. As the sloshed Sloane, Joanna Lumley steals every scene she appears in. *The New Statesman*, just returned to ITV with Rik Mayall as Alan B'Stard, a greedy, callous, randy, power-mad Tory politician, would never have got near the public airwaves in the days before *Spitting Image*, a series which is a prime example of how television comedy has diversified. Even further over the edge, dealing almost entirely in the currency of outrage, is the other Mayall series, *Bottom*, which he shares with his old partner Adrian Edmondson – the second batch was a huge improvement on the first, being on a par with the best of *The Young Ones* – and also Channel 4's Australian import, *Let The Blood Run Free*, most of which is spoiled by being too studiously preposterous.

But why limit our consideration to sitcoms, or indeed the other conventional forms? True, we still have double-acts reminding us of the days of Morecambe and Wise: *Hale and Pace* who cause me to cringe as much as cackle, and *Smith And Jones* who, not yet 40, are beginning to feel like elder statesmen. But some of the funniest material on television today occurs in forms which did not exist in the days of Morecambe and Wise. If there were an award for television's fastest ad-libber it would be contested between Paul Merton on BBC2's news quiz *Have I Got News For You*, which is not only one of the funniest but surely the most legally risky series currently on air, and Clive Anderson, whose Channel 4 series has taken the drift in chat shows to its logical conclusion (Dame Edna showed the way) and turned the guests into a sequence of – seemingly – unscripted feeds.

Laughter is the most straightforward yardstick and I laugh more in front of series such as *Clive Anderson Talks Back*, *Whose Line Is It Anyway?* and *Have I Got News For You* than I do in front of BBC1's "recession sitcom" *Get Back*, ITV's "house husband" sitcom *The Upper Hand* or Channel 4's cloying American sitcom *The Cosby Show*, which between them do not seem to have a single original thought about the human relationships upon which they concentrate.

The rate of stomach-heaving guffaws is not the only criterion, anyway. One of the most heartening aspects of current British television is the development of the comedy drama series where the humour is often more subtle and subdued and there is no audience bursting with laughter out of a blue sky as there is in series such as *Last Of The Summer Wine*. In ITV's *Gone To Seed*, a sort of sequel to *Gone To The Dogs*, Jim Broadbent, Warren Clarke and Alison Steadman play cockney triplets who are done out of their inheritance by the evil Wesley (Peter Cook having rather too much of a good time). *Nice Town* on BBC2 dares to take sex as its central theme and, despite immaculate production values and some delicious tongue-in-cheek humour, has consequently already taken something of a drubbing from the more tender flowers among television critics.

Best of all, however, is BBC1's *Look At It This Way* which is like a cross between *Old Men At The Zoo* and *Capital City* with the quirks and expert dialogue of the first combined with the post modernist feel (Docklands locations, fading yuppy attitudes, brittleness, knowingness) of the second. It is rare to find a drama which paints a truly accurate picture of even some aspects of the world you live in. To find one which manages so many of them and is also very funny is quite extraordinary . . . and nothing unnaturally big or unnaturally fast in sight, let alone a pratfall.

Ballet/**Clement Crisp**

The Nutcracker

It is going to be a hard winter. There are the brightest berries on my holly-bush; Santa, damn him, is already lurking in some stores; and I have sighted the first *Nutcracker* of the season in Wimbledon. As any observer will tell you, the earlier you see that harbinger of doom, the worse the season is going to be. This particular manifestation of Yuletide merriment is owed to the Moscow City Ballet, returned to our shores with yet another quaint recension of a ballet classic, thanks to the ingenuities of its director, Victor Smirnov-Golovanov.

The programme book states, with unwavering gaze, that Mr Smirnov-Golovanov aims "to teach his young company the original ideas of the great 19th century choreographers, with none of the later additions and changes. He encourages his dancers to use their own character delineations whilst adhering faithfully to the original choreography". If only! The most original idea about this *Nutcracker* is that Smirnov-Golovanov's choreography is "after the original by Marius Petipa". Since the original choreography – as the Royal Ballet has largely reproduced it from contemporary notation – is by Lev Ivanov, we are immediately faced with problems of credibility. Since what Smirnov-Golovanov provides is, at best, dull stuff, dully danced, belief is further strained. Petipa it ain't – nor yet Ivanov.

The evidence would suggest, as on the troupe's last two visits, that this is a minor company whose existence is owed to its ability to tour, efficiently if not especially creditably, shrunken versions of the classics that will appeal to audiences who do not have much occasion to see more gifted ensembles. Smirnov-Golovanov has a well-drilled female corps de ballet, some weedy chaps, and performances are made interesting for aficionados when he acquires an important guest artist: Semenyaka in 1991; Yury Posokhov earlier this year. Both dancers were beings from another planet in the context of the company's regular personnel.

In this new production, Smirnov-Golovanov has somewhat complicated *Nutcracker*'s dramatic argument. The magician, Drosselmeyer, obtrudes confusingly through the action, and at one moment seems about to embark upon a *ménage à trois* with Clara and her Nutcracker Prince. The second act is now a Kingdom of Flowers rather than of sweets – an unexceptionable change were it not for the fact that Drosselmeyer is given a mimsy solo to the *Mirlitons* music, which introduces a wild element of farce into the proceedings. (It was danced with effulgent winsomeness by Dmitri Romanov, who is not my ideal as a Drosselmeyer anyway).

Other performances are dutiful: on Monday night I saw Elvira Rikova as Clara and Yevgeny Mamrenko as her prince. The dancing which I most enjoyed came from Natalia Yakovleva as the Flower Fairy, suggesting wider artistic horizons, and a more elegant technique, than was generally on view. The "character delineations", mentioned in the programme, looked pretty odd during the opening scene: for part of the time we might have been at a meeting of Cross-dressers Anonymous instead of a Christmas party. Design by Natalia Povago is the triumph of nylon – though the Flower Fairy has a beautiful tutu. The score is adequately played. Stylistically, the whole affair is dismal.

Wimbledon Theatre: The Nutcracker is sponsored by Classic FM.

Theatre/**Malcolm Rutherford**

Elisabeth II

The Gate Theatre in Notting Hill has achieved the distinction of being heavily oversubscribed on a wet Monday night even for such an unpromising play as Thomas Bernhard's *Elisabeth II*. The first half consists of a seemingly endless monologue in the style of an ageing Austrian Jimmy Porter without the jokes, but it is necessary to sit through it in order to appreciate the second.

What Austria in general and Vienna in particular did to Bernhard to deserve such spleen is never clear. He was born, the illegitimate son of an Austrian mother, in Holland in 1931. Most of his education took place in Austria. He died in 1989, having written about 20 plays, but is scarcely known in Britain.

This is psychological guesswork, but I suspect that the underlying theme of *Elisabeth II* is a lament that Austria is not what it used to be. Bernhard would have preferred the old imperial splendour and the intellectual life that sometimes went with it. The Elisabeth in question is not Elisabeth of Austria but the Queen of England paying a state visit to Vienna in the late 1950s. All Viennese society turns out to see her.

The Queen does not appear.Instead we have the rich, disabled Herr Herrenstein whose apartment is being used to view the Queen from the balcony. He is a cantankerous old man who lost his lower legs in a driving accident. In the first act he rants about the decline of Austria and the old civilisation. From his references to Schopenhauer, Hegel and Kant, he is very well-educated. He is also intolerably rude to his servants and professes near-total misanthropy.

The part is played with immense self-confidence by Julian Curry, yet the monologue is heavy going by any standards. Then suddenly it turns out that the old man has life, even affection, in him after all. He is concerned that his long-standing manservant Richard (Ian Gelder) is about to desert him. Although he is on stage throughout, Richard has barely a dozen lines: Gelder's performance, showing his white gloves and the occasional movement of the eyebrows, is a gem.

There is also a philosopher friend called Guggenheim, played by Barry Wallman, who has spent his most creative years in Oxford. In his presence Herrenstein becomes a different man, capable of kindness and friendship. It looks remarkably like hero worship of the civilising influence of an English university.

As the Queen's approach nears, the stage fills up with a cocktail party to see her. Here is the Austrian society which Herrenstein despises, though again there is an exception in Countess Gudenus (Eileen Page) who is not only beautiful, but appreciates Guggenheim's writing.

The end is startling, yet ambiguous. The balcony collapses with nearly all the people on it. A Herrenstein might have plotted this all along, or equally Richard might have finally push his master over the edge. At any rate the last half hour or so has been worth waiting for. The direction and designs are by David Fielding and the translation by Meredith Oakes. About half of act one should be cut.

Gate Theatre, London W11 until December 12 (071) 229 0706


Alastair Muir
Julian Curry as Herr Herrenstein

The spirit of Windsor is lost

William Packer puts forward a personal view of the damage wreaked by the fire at the castle

The loss from the fire at Windsor castle has nothing to do with Heritage, that now hateful, vulgar, sentimental word. Nor is it about the cost of repairs, nor the loss of objects and artefacts, however wonderful. The loss I feel as one who spent his boyhood in the shadow of that great tower *is harder to explain: an enor*mous, possibly irreparable, damage to the spirit of the place and what it represents to Englishmen.

Samuel Pepys called Windsor: "The most romantic castle that is in the world". It is also *the largest inhabited castle* in the world, and has been in continuous habitation, since the time of the William the Conqueror. It is, by any measure, extraordinary and wonderful.

Even as the flames swept through the great hall on Friday night, television announcers were meanly asking how much it would all cost; and the row about who will pay continues *in Parliament and else*where. Good God: could they not see that some 900 years of our common history has gone *up in smoke. Yes, I admit, I* take the disaster personally. For those of us who lived in the town, that familiar tower*ing silhouette was always pres*ent, as constant as Fuji-san is to a Japanese or the Eiffel Tower to a Parisian. I saw it from my bedroom window, on my way to school, from the Great Park, from the forest at Dedworth, or away across the Brocas and along the river from Boveney Lock. There it would be, through the trees, around every corner.

But it would change, too, with every shift of the clouds and mood of the weather. I remember it in the long damp *week between the death of the* King and his funeral, so quiet and still, shrouded in the mists of early February. Most of all I *remember the funeral itself*, we children standing at the top of the Long Walk inside the Park gates, the crunch of wheels and feet on the gravel, the shadowy, veiled figures in the closed coach, the bands, the shouted orders coming towards us *through the mist*, past us and away, the minute guns, boom, boom, in the Park: and all the while the white looming *walls of the Castle just* barely visible through the fog.

I would often go into the Castle, a marvellously safe place *for a schoolboy* to be when he shouldn't be, with nothing better to do than slope off for a smoke and to admire the view. *I would go up the Round* Tower, or pay my sixpence to go into the Curfew Tower with its clock and dungeons, or per*haps, late in the afternoon, slip* into St George's to hear sung Evensong. One special game, at the height of the tourist season, was to go out along the North Terrace, just where the fire has destroyed St George's Hall, to where one long queue was waiting to go into the State Apartments, and another, even longer, was waiting to see The Queen's Dolls' House. I would walk alone between the two lines and up to the barrier, which, after a low, brief exchange, would be unhooked to let me pass. "Yes sir? You wish to see the drawings, sir? Of course. This way, sir." Insufferable.

I felt, as many others did, intensely proprietorial about the place. *I too* had – still have – a Windsor Castle of my *very own – ancient, familiar*, comfortable, romantic, fixing the present so very firmly in the continuous historic past. *And it is a feeling about the* place itself, and the town which grew up around it, and the countryside of river and park beyond, and the people who made it what it is.

INTERNATIONAL ARTS GUIDE

■ **BARCELONA**

Edita Gruberova sings the title role in Anna Bolena tonight at Gran Teatre del Liceu. The final performance on Sun is sung by Christine Weidinger. The next production is Lohengrin, opening on Dec 14 (412 3532). Tomorrow at Palau de la Musica: New London Consort (268 1000). Alan Ayckbourn's play Absurd Person Singular can be seen at Teatreneu. Information and booking for cultural events available through Caixa de Catalunya *from* 08.00 to 14.00 (310 1212)

■ **COLOGNE**

CONCERTS

At the Philharmonie tomorrow: choral rarities by Richard Strauss and Brahms. Fri and Sat: Hans Vonk conducts Cologne Radio Symphony Orchestra in works *by Stravinsky and Schumann.* Sun: Claudio Abbado conducts Berlin Philharmonic in works by Berg's Three Pieces for Orchestra and Mahler's *First Symphony. Mon: Christoph* Eschenbach conducts Houston Symphony Orchestra in Bartók's Second Piano Concerto (Tzimon Barto) and *Mahler's Fifth*. Dec 4, 13: Andras Schiff plays Schubert. Dec 5: Frans Brüggen conducts Haydn and Beethoven (2801)

OPERA

At the Opernhaus tonight: Der fliegende Holländer with Monte Pederson and *Mechthild* Gessendorf (also Sat and next Thurs and Sun). Fri: Lothar Zagrosek conducts Marco Arturo *Marelli's new production of* Henze's Der Prinz von Homburg. Next Wed and Fri: Entführung. Dec 17: Olaf Baer song recital. Dec 20: new production of Billy Budd (221 8400)

■ **COPENHAGEN**

Royal Theatre 20.00 Il barbiere di Siviglia. Tomorrow: Carmen. Fri, Sat afternoon, Sun, next Tues, Thurs, Fri, Sat: Flemming Flindt's staging of Nutcracker. Next Wed: Nielsen's opera Maskarade (3314 1002)

■ **FRANKFURT**

CONCERTS

Jahrhunderthalle Hoechst: Tonight: Christoph Eschenbach conducts Houston Symphony Orchestra in Prokifiev's Third Piano Concerto (Tzimon Barto) and Tchaikovsky's Fourth Symphony. Dec 7: Yehudi Menuhin conducts Sinfonia Varsovia (3601 240)
Alte Oper. Tonight: Herbie *Hancock and friends pay tribute to Miles Davis. Tomorrow:* Eschenbach conducts Houston Symphony Orchestra in works by Ives and Mahler. Next Tues: *Claudio Abbado conducts Berlin* Philharmonic Orchestra in Strauss' Tod *und* Verklärung and Brahms' First Symphony (1340 *400).*

OPERA/DANCE

Opernhaus Fri: Die Zauberflöte. Sat: Die Fledermaus. Sun and next Wed: *La traviata. Mon:* William Forsythe's ballet The Loss of Small Detail (236061)

THEATRE

Schauspielhaus *Tonight*, Sat and Sun: Arthur Schnitzler's 1911 play Undiscovered Country. Tomorrow and Fri: Djuna Barnes' Antiphon *(2123 7444)*
English Theater Kaiserstrasse Sandy Wilson's comedy The Boyfriend, daily except Mon (2423 1620)

■ **GOTHENBURG**

Konserthuset Tomorrow and Fri: Martha Argerich plays Haydn's D major Piano Concerto and Strauss' Burleske with the Gothenburg Symphony Orchestra conducted by Bernhard Klee. Next week: Okko Kamu conducts works by Sibelius and Sallinen. Dec 12: Nemme Jarvi conducts Shnitke and Tchaikovsky (167000)

■ **HAMBURG**

Staatsoper Tonight, Sun and next Wed: Hansel and Gretel. Tomorrow, Fri, Sat: Neumeier production of Nutcracker. Tues: Die Zauberflöte (351721)
Deutsches Schauspielhaus Tonight: Thomas Bernhard's play Die Macht der Gewohnheit. Sat: Shaw's Heartbreak House. Hervé's opera bouffe Der kleine Faust opens on Sun, with previews tomorrow and Fri (248713)
Thalia Theater The repertory *includes Ariel Dorfman's Death* and the Maiden and King Lear (322666)

■ **LEIPZIG**

Opernhaus Tonight's performance is a ballet choreographed by *Uwe Scholz.* Tomorrow: new production of Werther with David Rendall in title role. Fri: Cosi fan tutte. Sat: Hansel and Gretel. *Sun: Elektra* with Sophia Larson in title role (7168 273)
Gewandhaus Tomorrow and Fri, *Leopold Hager conducts* Gewandhaus Orchestra in works by Bartók and Stravinsky. Sun: Marek Janowski conducts gala concert for UNICEF (7132 280)

■ **LYON**

● Bruno Campanella conducts Frank Dunlop's new Opera de Lyon production of L'elisir d'amore with a cast including Barbara Hendricks, Gino Quilico and Gabriel Bacquier, opening next Tues (also Dec 3, 6, 8, 11) *at Theatre du Huitième, 8 ave* Jean Mermoz (7828 0960)
● Tomorrow and Sat at Auditorium Maurice Ravel (also Fri in Annecy): Emmanuel Krivine conducts Orchestre National de Lyon in works by Schubert and Mahler, with soprano soloist Edith Wiens. Dec 7: Labèque Sisters (7860 3713)

■ **NEW YORK**

THEATRE

● My Favourite Year: a new musical based on the film of the *same name, by Joseph* Dougherty, Stephen Flaherty and Lynn Ahrens (Vivian Beaumont, Lincoln Center, 239 6200)
● *Jelly's Last Jam: the music* of Jelly Roll Morton, self-proclaimed inventor of jazz, plus an unsparing delineation *of the man himself. Written and* directed by George C Wolfe, with Gregory Hines in the title role (Virginia, 245 West 52nd St, 239 *6200)*
● Five Guys Named Moe: the guys are black dancers and singers of ability and spirit, who *perform the songs of the late* Louis Jordan (Eugene O'Neill, 230 West 49th St, 239 6200)
● Crazy For You: a musical comedy which won three 1992 Tony awards, about a 1930s banker's son who is sent to close a theatre in a mining town, where he falls in love with the only girl in town (Shubert, 225 West 44th St, 239 6200)
● The Secret Garden: a charming musical adaptation of the classic children's story by Frances Hodgson Burnett (St *James, 246 West 44th St*, 239 6200)
● Catskills on Broadway: a revue that pays tribute to the area that spawned America's funniest people, a festival of ethnicity and all but unbroken laughter (Lunt-Fontanne, 205 West *46th* St, 307 4100)
● Lost in Yonkers: Neil Simon's humorous, heartbreaking play about two young boys unwillingly *dumped with their tyrannical* grandmother in Yonkers, New York, in 1942 (Richard Rodgers, 226 West 46th St, 221 1211)

■ **STRASBOURG**

Palais de la Musique 20.30 *Jacques Delacôte conducts* Strasbourg Philharmonic Orchestra in works by Bernstein, Chabrier, Milhaud and Gerswhin, *with flute soloist Philippe Jolivet* (repeated tomorrow). Next Wed: Yefim Bronfman plays Mozart's Piano Concerto No 24 (8837 6777). *Dec 9 at Théâtre Municipal: first* night of new production of Die Fledermaus (8875 4823)

■ **UTRECHT**

Vredenburg 20.15 Hartmut Haenchen conducts Netherlands Chamber Orchestra and Chorus in sacred works by Bach family and Penderecki. In the small hall, Ronald Brautigam gives a piano recital. Sat from 15.00: Blues Festival. Sun afternoon: Netherlands Radio Symphony Orchestra and Chorus perform Messa per Rossini. Sun evening: Evgeny Svetlanov conducts Russian State Symphony *Orchestra in works* by Musorgsky, Glinka, Borodin and Scriabin. Mon: Gabriele Bellini conducts an evening of Rossini overtures and arias. Next Wed: Tokyo String Quartet. Dec 9: Ton Koopman conducts Amsterdam Baroque Orchestra (314544)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN *production*

Super Channel
0630-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Wednesday November 25 1992

Restructuring Europe's steel

IT HAS been a good week for the EC steel industry. After yesterday's inconclusive meeting of industry ministers, the European Commission still proposes spending more than £700m on helping steelmakers shut down their surplus capacity. It also aims to impose duties on steel imports from eastern Europe. A central myth of the Community is thus perpetuated: that steel, like agriculture, is different. Other humdrum industries such as brick-making or engineering can fend for themselves. Steel has a special and mysterious call upon the public purse.

The use of taxpayers' money to make good the steel industry's planning errors seems particularly objectionable at a time when individual EC states are already faced with ballooning deficits. The vexing thing is that the alternative could be worse. Nearly half the EC's steel capacity is state owned. In several member states, closing steel plants risks antagonising regional minorities. In the absence of an EC-wide deal, individual states might respond by stepping up their subsidies. If – as seems not impossible – the most heavily subsidised plants were also the least economic, bad capacity could end up driving out good.

But if public money is to be spent, the taxpayer is entitled to certain things in return. When the European economy finally revives, the pressure to cut capacity should be maintained. The forecast for underlying steel demand in the mature economies of the EC is flat. There is also less scope for export to developing countries, which are busy building steel mills of their own.

It thus cannot be assumed that the industry, if left to itself, will return to prosperity in the next upturn. Indeed, its brief burst of profitability in the late 1980s may well prove an anomaly, based as it was on a quite abnormal boom in the building industry. The main thing is that EC taxpayers should not find themselves footing the bill yet again in the next recession.

The other important *quid pro quo* for taxpayers is that they should not be denied access to steel from eastern Europe. EC steelmakers claim that dumping from Czechoslovakia and Poland is ruining their market. But the eastern share of the EC market is now running at about 5 per cent, which scarcely seems material in the context of EC overcapacity of 30 per cent. As for dumping, the charge is hard to prove when there is no real means of measuring the true cost of eastern European production. And if, as is sometimes alleged, eastern producers are spoiling the market inadvertently by selling their output more cheaply than they need to, the answer is for the western producers to educate them in marketing.

The more fundamental point is that eastern Europe needs hard currency if it is to import the equipment necessary to modernise its economies. Steel, along with textiles and agricultural produce, is one of the few things it can export. Part of the strain this imposes on the market is transitory, since a good half of eastern capacity is reckoned to be obsolete. And after all, the most important single way to stave off disaster in the eastern economies is to boost bilateral trade. Steel seems as good a place to start as any.

Polish deal

THE INTERNATIONAL Monetary Fund has tacitly passed over Poland's inability to cut its budget deficit this year and agreed a new letter of intent, thus showing its faith in the government's ability to restrain spending and raise tax revenues in 1993. The deal is excellent news for Poland.

At the same time, it places a good deal of responsibility on the Polish parliament, which has previously rejected government demands for a cut in pensions and other social payments. These cuts will be essential, however, if Poland is to honour next year's agreed budget deficit limit of 5.1 per cent of GDP. Simultaneously, the Polish government, just like the governments of other "fast-track" reforming countries of central Europe, must put high priority on the introduction of modern income and value-added tax systems, in order to replace the primitive turnover and profit tax systems inherited from the communist past.

Given progress on both fronts, Poland should be able to cut spending and raise tax revenue sufficiently to meet the new IMF target, particularly against the background of a recovery in industrial output and a strong balance of payments. But hopes of recovery also depend on the state of the German and other EC economies next year. EC governments must allow east and central European countries such as Poland to increase their exports, without the sort of anti-dumping action invoked recently in the case of steel pipe imports.

Agreement on the new $860m IMF loan arrangement for Poland is important to Polish recovery in several ways. Warsaw needs the IMF seal of approval before Poland's official creditors can proceed with the second stage of the overall 50 per cent reduction in official debt agreed in March 1991. Just as important, an IMF agreement should pave the way for a resumption of negotiations with Poland's private bank creditors, to whom it owes around $12bn.

Many commercial banks, who have received only $100m in interest since the autumn of 1989, were unhappy with the terms of the official debt reduction. In particular, they will be seeking to recoup as much as possible of the $3bn unpaid interest which has accumulated over the years. Poland's inability to settle with its bank creditors remains a big obstacle to the foreign equity investment that Poland needs. Once the IMF deal is finalised, Warsaw should waste no time in seeking a reasonable deal from the banks.

Terror uninsured

SINCE THE bombing of the Commercial Union building in the City of London in April, it has become clear that the insurance industry is reluctant to provide cover against acts of terrorism in mainland Britain. The large continental reinsurance groups, which underwrote much of the estimated £800m cost of the CU bombing, have little remaining appetite for such business. British insurers lack the capital to take the full risk onto their own books. The question is whether the government will have to act as an underwriter of last resort.

The insurance problems arising from terrorism in mainland Britain are a direct concern chiefly for a small number of high-profile companies and institutions. These companies bear a disproportionate share of the cost of maintaining stable business conditions for the community as a whole. Yet less vulnerable businesses, which derive benefits from a stable trading environment, are understandably reluctant to pay higher premiums after the bombing of a giant City office block. The case for government involvement is that the private sector cannot achieve an equitable sharing of the costs of maintaining stability in conditions that occasionally border on war.

The government has been obliged to accept the logic of this argument in Northern Ireland, where criminal damage compensation arrangements have existed since the late 1960s. But it is not inclined to extend it to the mainland for understandable reasons. One is that ministers might be accused of "giving in to terrorism". Another is cost. Yet terrorism wins a far bigger victory if Britain's leading companies are forced to constrain their operations to cope with the terrorist threat; if large office blocks sustain falls in value because they cannot be insured against terrorist acts; and if foreign financial institutions are tempted to take their operations to other financial centres in the European time zone where the insurance is more readily obtainable. The point of compensation is that it neuters the economic impact of terrorist violence – a case not of acquiescence but of countering terrorism by other means.

The government cannot be blamed for seeking to minimise the bill: the potential liability in mainland Britain is palpably greater than in Northern Ireland. Meanwhile, lengthy discussions drag on between representatives of British industry, insurance providers and the government to look for a middle way whereby public-sector financial support could be harnessed to a market framework, so reducing the cost to the state.

The problem is that the market has already fought shy, because no actuary can assess the risk of how often further bombings may occur and to what effect. That suggests that a halfway house will be difficult to achieve: if the risk is uncommercial, establishing a basis for sharing it between public and private sector will be a nightmare. Whether or not the government ministers falls back on the approach adopted in Northern Ireland, there can be no escape from some form of state involvement. It may be an uncomfortable role, but it is a proper one for government.

A facelift for Auntie

The policy outlined in the green paper on the BBC threatens the corporation with genteel decline, argues Ian Hargreaves

Many viewers and listeners must be wondering why the BBC's future is yet again up for debate; after all, there is little evidence of widespread public discontent with the radio and television services provided by the corporation.

But with its 15-year royal charter due to expire on December 31 1996, action is inevitable. The question is: should the new charter involve radical change or comfortable continuity? Will Britain be best served for another 15 years by a vertically integrated corporation with more than 20,000 employees, two TV channels, five or six national radio services and a thick network of local radio stations, all of it funded by a licence fee on TV set ownership.

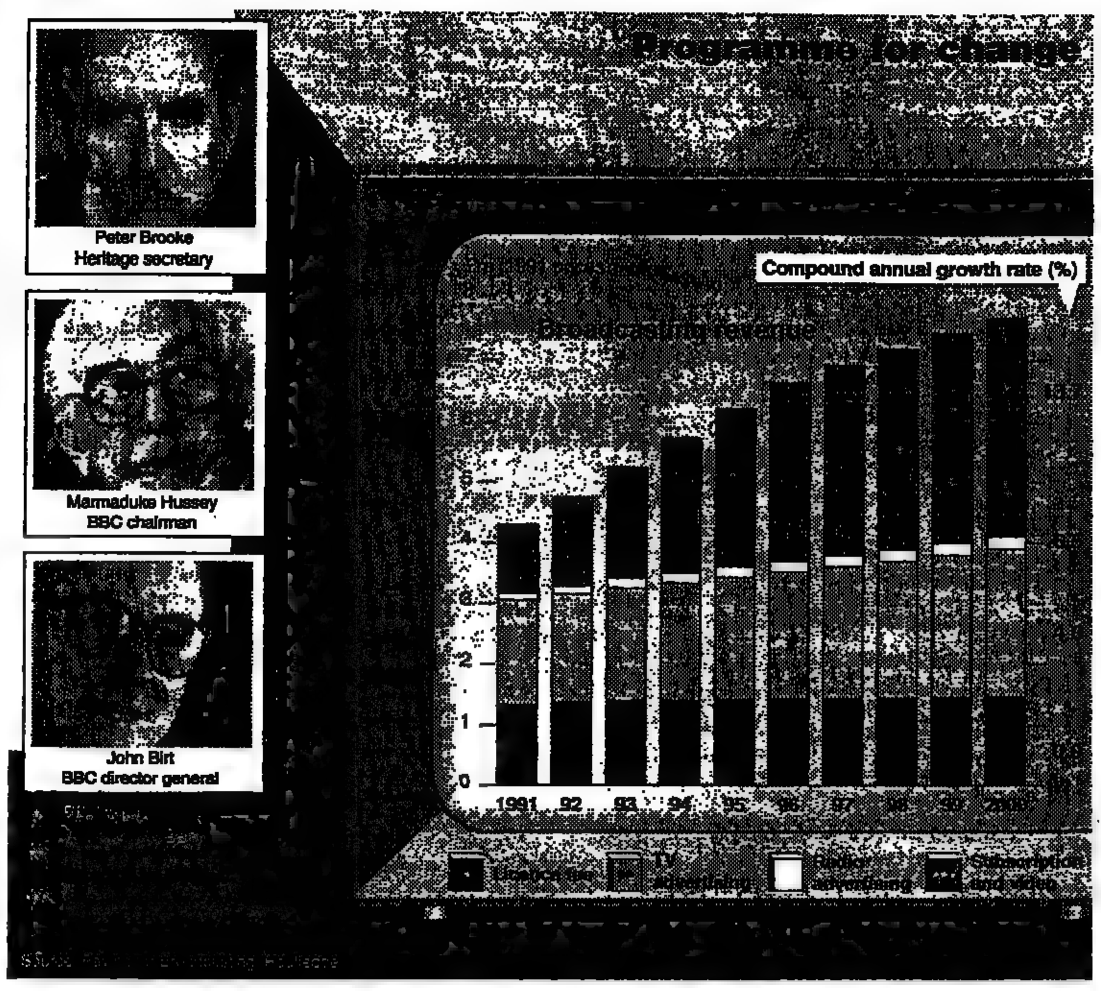
The fundamental case in favour of continuity is that the market cannot provide a service of BBC range and quality anywhere near so efficiently. The BBC, its defenders argue, is a worldwide success story and one of the glories of British popular culture; it is also a bulwark against the domination of the UK media by global barons, whose motivation is commercial and whose political centre of gravity may not, collectively, be that of the nation's. Also, the BBC remains popular – it is used by more than 90 per cent of households at least once a week – and relatively cheap. For £80 a year or 22p a day, it costs less than a first-class stamp or a copy of the Daily Mirror.

Its stability is also valued by its competitors. With the new ITV franchise holders about to commence operations in January, some burdened with over-optimistic revenue projections, many ITV bosses think the BBC should be left alone, to supply quality competition as a benchmark for ITV and, of course, to keep the BBC's fingers out of the advertising pie. Even the satellite broadcasters, led by Rupert Murdoch, have softened their attacks on the BBC, perhaps fearing a new broadcasting regime which might free the BBC to compete more effectively in satellite and subscription services.

These conservative sentiments in the BBC debate are also, more or less, in political vogue. Mrs Thatcher, who alternately terrorised and disdained the corporation, is gone. Mr Major and his senior colleagues are open in their admiration and, already well endowed with controversies, unlikely to seek another one by dismantling the BBC. That is why the green paper published yesterday is such a cautious document.

Unlike, for example, the study of the BBC by the Peacock Committee in 1986 and the Broadcasting White Paper which followed it in 1988, the green paper does not take seriously the idea of a change in the way the BBC is funded. Broadcasting House's response, which is due tomorrow, is expected to accept the paper's proposed terms of engagement and confines itself to proposing reforms of limited scope, such as improving efficiency and amending the corporation's governance.

The upshot seems certain to be a continuation of the licence fee, rising at slightly less than the rate of inflation, supporting a more or less unchanged range of services, albeit with a slightly more upmarket and distinctive flavour. To fill the small gap created by an RPI minus X annual uprating of the licence fee, the BBC will need to raise more money from other activities, such as selling its programmes to other broadcasters, and to make itself more efficient. It is a perfectly workable plan.



But those who admire the BBC and want its sort of programmes to continue to be made and broadcast well into the next century ought to question this new consensus, which is in danger of fixing the BBC on a path of genteel decline. The root of the trouble is the licence fee, to which the BBC has a fatal addiction.

The problem is that consumers want additional broadcasting services, by cable and satellite. Already 3m homes are connected to these new broadcasters and if you add to these "subscription services" other forms of television, such as video, the licence fee starts to appear a fragile figure in the broadcasting landscape.

According to projections carried out for the BBC (see chart), subscription revenues for the industry will this year surpass those raised by the licence fee for the first time; by 2000, they will be double licence fee revenues. In households which have cable and satellite TV, the BBC is today winning a viewing share of less than 30 per cent, compared with the 47-48 per cent it has traditionally taken of the ITV-BBC duopoly market. With commendable frankness, these same BBC studies project that even with a fully RPI-linked licence fee, the BBC's share of the national TV audience will have fallen from the 48 per cent in the late 1980s to 30 per cent in 2000 and about 20 per cent by 2010. It is impossible to imagine those who draft the next charter for the BBC at about that time supporting a poll tax of the airwaves to pay for services of such minority appeal.

The market economist's response to this scenario might well be: fine, by then Britain will have a profusion of channels and the licence fee and the BBC can happily be allowed to wither away. Britain would then have US-style TV; if it wanted a tax-funded broadcaster at all, it should only be a US-style operation, meeting minority, mainly highbrow needs.

At the other end of the spectrum, there are those who argue that the correct response to this dilemma is simply to give the BBC more money – RPI plus X, rather than minus. But this hardly seems politically credible, even if it were desirable: one legitimate aim of broadcasting policy is to widen the creative base of British broadcasting. This is at least as strong an argument as its direct opposite: that Britain needs a strong BBC as a kind of cultural hearthrug where the country can receive entertainment and information in a way that binds and stimulates the nation.

A more plausible response is to say that the American-style broadcasting scene is not for Britain: given that even the huge economic resources of the US have been able to support, in TV terms, a great deal more mediocrity than excellence. For its size, Britain's broadcasting industry has sustained a high and acknowledged level of quality.

But how could this broadcasting service be funded, if not by a licence fee? The short answer is from a mixture of sources, as public broadcasting services are in many other countries, so that all its financial (and therefore political) eggs are not in one basket. Of course, this is not a straightforward matter, since attention must be paid to the effect of limited access to advertising for, say BBC 1, Radio 1 (pop music) and Radio 2 (light music) on their commercial competitors.

The same is true of subscription. It may well be that BBC 2 in something like its present form could be funded directly by a mix of subscription and advertising in the next decade. Or it may be that the BBC has a contribution to make by launching new services on satellite, making fuller use of its expertise and large resource base in certain areas: perhaps an arts channel, a children's channel or a news channel, perhaps involving the kind of alliances with other UK broadcasters from which the BBC is currently barred. There is also no reason why BBC TV, which must now take a quarter of its programmes from independents, should not itself sell programmes to other terrestrial broadcasters.

The point is that the BBC needs to be as creatively free and strong as possible. An institution doomed to genteel decline, with continuously shrinking resources, is unlikely to be brimming with self-confidence or able to attract the best talent. Likewise, the BBC needs managerial freedom, not only to deal with its notorious overmanning and top-heavy bureaucracy, but to chase new markets, to seek new horizons.

The obvious way forward is some form of privatisation, within an appropriate framework of regulation and accountability. It will be objected that a privatised BBC would be compelled to become exactly like ITV – driven by ratings to make only safe, bankable programmes. This would be true only if the BBC followed ITV into total reliance upon advertising, something as impractical as it is undesirable.

If the BBC were to be funded partly by advertising, partly by subscription and partly by subsidy, perhaps delivered by a public service broadcasting council also empowered to support worthwhile public service broadcasting activities on other channels, it would acquire an autonomy it has sometimes lacked. It would also have the chance to make as important a contribution in broadcasting's second century as it did in its first.

There is another point. Since the National Freight Corporation was privatised with great success in 1982, hardly any serious thought has been given to the place of employee share-ownership in the privatisation process. If an employee-driven privatisation scheme can work well in road haulage, then why not for the BBC, where a decisive asset will always be the quality of its management and its staff. Such a change would need careful planning and timing and could even be applied selectively; what is right for Radio One is not necessarily best for Radio Three.

By 2005, Britain might have a thriving terrestrial commercial television service, an enlarged satellite and cable sector and a BBC, still partly funded from the public purse, vigorously playing its part in all these areas, as well as in domestic and global radio. This BBC would take its place within a single regulatory framework for the whole of broadcasting.

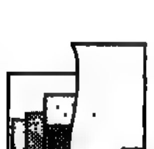
There would, of course, be a risk that a new BBC would make mistakes, perform badly, lose money and decline. That would be the risk, but at least it would be a risk placed squarely on the shoulders of BBC staff and shareholders. One thing is certain: the corporation's staff would no longer resist efficient working practices or tolerate a superfluous bureaucracy.

The author is deputy editor of the FT and was director of news and current affairs at the BBC 1989-90

PERSONAL VIEW

Boards with backbone

By Martin Lipton and Jay Lorsch



Corporate governance in the US is not working the way it should. The problem is not the system of laws, regulations and judicial decisions which are the framework of corporate governance, but the failure by too many boards of directors to make the system work properly.

Chancellor William Allen of the Delaware Court of Chancery, a leading judicial scholar on corporate law, argues that boards too often ignore a basic responsibility: "the duty to monitor the performance of senior management in an informed way". To do this, he says, board members should play an active role in formulating the company's long-term goals. "They should as well engage in the periodic review of short and long-term performance according to plan and be prepared to press for correction when in their judgment there is need."

Our proposal, along similar lines, does not require big changes in what well-advised companies are already doing. It would not require any changes in laws or regulations. Nor does it require institutional investors to become patient, long-term shareholders, participating in corporate governance – however desirable that might be.

The key elements are:

- **Board size and composition.** We recommend a smaller board – no more than 10 directors – with a ratio of at least two independent directors to each management director. An independent director is someone who does not have a substantial business connection with the company and is not an executive of another company which has an executive of the first company serving on its board. There should be term limits and a mandatory retirement age for independent directors. Audit, compensation and nominating committees should consist only of independent directors.
- **Meetings.** Boards should meet at least every two months, with one meeting each year being a two or three-day strategy session. Directors should undertake a day of additional preparation for each meeting. Directors' compensation should be increased and most should serve on no more than three boards.
- **Lead director.** Where one person is chief executive and chairman, the independent directors should choose a lead director from their ranks. The lead director should consult with the chief executive on the selection of board committee members, setting agendas, the adequacy of information furnished to directors and the board meeting process. The lead director should also co-ordinate an annual assessment of corporate performance and an evaluation of the chief executive. The lead director would chair the board if the chief executive were absent or if the independent directors were meeting alone.
- **Information.** To monitor the company's performance in relation to its long-term strategic, financial and organisational goals, directors need a broader array of data than the financial reports they typically receive. We recommend that boards consider a range of measures of performance such as profitability, market position, productivity, product leadership, personnel development, employee attitudes, public response and balance between short-term and long-term goals.
- **Performance evaluation.** This falls into three parts. First, there should be an annual assessment of the company's long-term financial, strategic and organisational performance in relation to the goals established by management and the board. Second, there should be an annual evaluation of chief executive performance, which might include extraordinary initiatives such as: developing and selecting a successor; international expansion; acquisitions; and joint ventures.

The assessment and evaluation would be done by the independent directors and co-ordinated by the lead director. Third, there should be an annual evaluation by the board of its own performance.

- **The board and shareholders.** Companies should provide an annual informal setting in which the larger shareholders can meet directly with the board of directors. This meeting is intended to improve understanding between institutional shareholders and directors.

We also recommend that, if in three of the past five years a company failed to meet its plans or goals, suffered losses or underperformed the market or its peer group, a special section of the annual report describing the causes of the problems and the actions taken to deal with them should be prepared under the supervision of the independent directors. When a company's underperformance triggers such a special report, we would permit big shareholders to communicate to other shareholders their views through the proxy statement.

All of our proposals can be adopted by individual boards of directors with no more than changes in bylaws and boardroom procedures. We believe they provide an effective means for improving corporate governance, and strengthening the performance and the competitive position of US companies.

Martin Lipton is a partner of Wachtell, Lipton, Rosen & Katz, New York City. Professor Jay Lorsch is chairman of Executive Education Programmes at the Harvard Business School

Edward Mortimer

Big bang but deaf ears

FOREIGN AFFAIRS

A 'social atomic bomb' has exploded over Sarajevo but the EC's response is inadequate

The grim truth has begun to dawn on western Europe. The disaster of the former Yugoslavia is not just one of those awful things that happen in other continents, about which one can ease one's conscience with a donation to Oxfam or Unicef. It is going to affect *us*, disturbing the humdrum comforts and discomforts of our ordinary lives. We are confronting a "social atomic bomb" in Europe.

The phrase is that of Tony Smythe, a man who knows something about human misery and inhuman behaviour and does not speak of atomic bombs lightly. He has been director successively of the National Council for Civil Liberties, the mental health charity Mind, and most recently MedAct (Medical Action for Global Security), a branch of International Physicians for Prevention of Nuclear War. Earlier this month he went to Macedonia for a pan-European "citizens' and municipal peace conference", organised by the Helsinki Citizens' Assembly and the Conference of Local and Regional Authorities in Europe.

It is easy to make fun of all these small non-governmental organisations (NGOs) with long-winded titles which hold meetings up and down the continent. Their efforts to keep dialogue going across national or ethnic boundaries may seem Lilliputian in relation to the scale of the problems involved, but that is surely better than the Brobdingnagian impotence of governments and intergovernmental bodies which are infinitely better endowed. In fact the latter often find they get good value for money by subsidising the activities of the former.

By "social atomic bomb", Mr Smythe means that the effects of what is happening in the former Yugoslavia are as devastating to life, health and property as an atomic bomb if one had been dropped there, and that they also spread gradually, if in attenuated form, over a very wide area. But while many of the effects are painfully physical, the process itself is social. One cannot pinpoint a precise place and time at which the bomb exploded, and while in broad terms its effects are all too predictable, in detail they are much less so. That means that the effectiveness of any given remedial or protective measure is also very hard to predict. Which perhaps explains why, in contrast to the elaborate plans that governments made to deal with the aftermath of a nuclear attack, there seems to have been no planning at all for dealing with a disaster such as this.

Even now, after it has happened, there is no consensus about what needs to be done, or even about how bad the disaster is. The figure of "2m or 3m" displaced persons has, Mr Smythe points out, been "trotted around for the last few months", while the process of displacement is going on all the time. Perhaps, if 2m was right when first quoted, 3m is right now. More probably, no one really knows. What is certain is that, however bad it is now, it will be worse in a week's time, and probably a great deal worse in six months.

What is happening in the former Yugoslavia is as devastating to life and property as a nuclear blast

Equally certainly, it is by far the worst refugee problem in Europe since the immediate aftermath of the second world war. It is happening on the fringes of the European Community. So far the great majority of the displaced are still within the borders of the former Yugoslavia, but an estimated half million are outside and roughly half of those are in Germany. Austria and Switzerland, not yet EC members but about to form the European Economic Area with it, have well over 100,000 between them. Not surprisingly all three of those countries are agitating desperately for the burden to be shared, and for the adoption of a co-ordinated European response.

Yet, says Mr Smythe, the most striking feature of the situation is "a diabolical lack of any kind of co-ordination across Europe and within ex-Yugoslavia". How can this be? It is hard to blame the European Commission, since national governments have been very careful to prevent it getting its sticky fingers on the immigration and asylum issues, which they regard as part of the holy of holies of national sovereignty. There is an ad hoc group on immigration, set up in 1986, but it is strictly intergovernmental. It meets sometimes at ministerial, sometimes at official level, and the chair is taken by the state holding the EC presidency at the time.

That business of the rotating presidency is often cited as a weakness in the EC's constitution. It puts, one is told, an excessive burden on the bureaucracies of small states, such as Luxembourg, that are not really up to the task.

How lucky then, you may think, that this acute phase of the Yugoslav crisis coincides with the presidency of a large state whose bureaucracy is the envy of the world. Presumably the UK has taken advantage of this circumstance to get a hold on all the issues involved and hammer out a co-ordinated European response.

Alas, that is not the impression gained by people working in other EC governments, or in NGOs, or in intergovernmental organisations. Nor do British civil servants themselves seem unduly proud of their achievements in this respect.

My own attempt to find out what they were doing revealed, mainly, that there is little co-ordination even within the British government. In fact, their response was rather similar to that of their political masters when confronted with the "Iraqgate" scandal: they start by explaining that, whatever your particular question is, it should properly be answered by a different department.

The east European department of the Foreign Office has relinquished all responsibility for Yugoslavia to a special unit set up for the duration of the British presidency. There is some sense in that. But the unit in question doesn't deal with the refugee issue. In fact that issue itself is split in two. There is aid to the refugees still in the area, which is handled by the Overseas Development Administration and the UN department of the Foreign Office; and there is admission (or non-admission) of refugees into EC countries, which is handled by the Home Office.

It would be unfair to suggest that the various officials involved never speak to each other. In fact it seems there is a daily meeting on Yugoslavia at the Foreign Office, and that as often as two or three days a week it is chaired by a minister, Mr Douglas Hogg. But the least one can say is that Mr Hogg has not yet instilled into those working under him a strong sense of urgency or common purpose.

Foreign Office officials complain that the Home Office makes the agreed asylum policy sound even less generous than it is, by quoting only the figure of 150 families whom Britain has agreed to take "in the first instance". Certainly it is clear enough that the Home Office's main concern remains, as always, to limit to the minimum the number of foreigners allowed into Britain on any pretext whatsoever. But why does the Home Office always win in any argument with the Foreign Office?

More important, why is this whole crisis being dealt with as an argument between EC member governments, and between departments within those governments? Why are political leaders not getting together to work out an answer to it, as a matter of urgency, as they surely would if a real atomic bomb had been dropped on Sarajevo?

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Housing where it is most needed

From Mr Simon Randall.

Sir, Your leader, "A new policy for housing" (November 23), raises a number of points. The provision of £750m will undoubtedly help a good many homeless families, while at the same time removing 20,000 empty properties from the saturated housing market. Although it might not be enough, it is at least a start and is evidence that the government is taking the problems seriously. But, if the £750m is to be used effectively, it must be channelled to the areas which need it most – that is, those with the highest levels of repossessions and households with negative equity.

The relaxation of the restrictions on council spending of their capital receipts, while welcome in principle, would have produced quicker results if selected areas had been allowed to spend part of their existing receipts. As things stand, it is difficult to see local authorities being able to raise much revenue through council house sales between now and December 1993.

While not all council housing is as poor as your leader implies, you are right to suggest that people who cannot afford (or do not wish) to buy should be able to turn to the private rented sector as a realistic alternative.

What is needed is all-party political support for measures to encourage banks, building societies and other institutions to take on the role of landlords. An end to the current tax discrimination and the introduction of worthwhile financial incentives would work wonders in this respect.

Simon Randall,
chairman,
Housing & Social Services Committee,
London Boroughs Association
College House,
Great Peter Street,
London SW1P 3LN

Accountability of regulators is lacking in privatisation strategy

From Mr Tony Young.

Sir, Tony Jackson is correct to assert that "privatisation has its natural limits", but a little late to worry that "even such matters as the modernisation of the UK's telephone network could become issues of public policy" ("The pendulum swings", November 10).

One cannot really compare privatisation in eastern Europe, where typically some 90 per cent of the economy is state owned, with Britain where public ownership is now confined to certain fundamental services. I would assert that the Post Office for one is a public service where privatisation has no part to play and any disposal here would be "a sale too far".

The problem with privatising public utilities, such as British Telecom with its universal service obligation, is that the regulator rather than parliament finishes up determining crucial issues of public policy. Oftel's prohibition on BT carrying broadcasting services on its telecommunications network is a constraint on the company providing the kind of national optical fibre broadband network that would stimulate economic growth and expand the range of services available to customers.

The regulation of the regulators is the "black hole" of the government's privatisation strategy. As the National Communications Union unsuccessfully proposed to this year's Trades Union Congress, the regulatory agencies must become more accountable to parliament and the public.

Tony Young,
general secretary,
National Communications Union,
Greystokes House,
150 Brunswick Road,
Ealing, London W5 1AW

Royals would improve their lot if they treated public with respect

From Mr Piotr Ney.

Sir, While in Britain recently, I had the opportunity of visiting Windsor Castle, now sadly damaged by the fire. While I appreciate that it is a residence of members of the royal family, I was *not* impressed by the very high admission charges and the general feeling that public visitors were treated largely as an unavoidable nuisance.

Two days beforehand, I had the pleasure of visiting the White House in Washington, where I paid no admission charge and was told proudly by the official guides that "this building belongs to the people of the United States, and we are honoured to be able to *share it with our citizens and guests from abroad*".

I suspect that if a similar attitude were displayed by your royal family and those who represent them, they may receive much more sympathy from the public both in Britain and abroad. Furthermore, as I understand that the majority of the damage was inflicted on areas not even accessible to the general public, it seems rather presumptuous to ask British taxpayers to foot the damage bill.

Piotr Ney,
Prinsengracht 488,
1017 KH Amsterdam,
The Netherlands

No mention of public transport

From Mr Graeme Preston.

Sir, Your editorial, "Cars, congestion and pollution" (November 20), fails to mention a policy option that would attack both problems at the same time, that is, greater investment in public transport. The omission is all the more striking given that, on the same page, you carry an article on the current state of the London Underground which has just had its investment budget cut by more than £200m.

Graeme Preston,
Ch De La Hulpe, 410,
Brussels 1170,
Belgium

Partnership that will help develop UK tourism

From Mr William Davis.

Sir, Nicholas Lander was right to draw attention to the importance of Britain's tourism industry ("British tourism and the faulty towers of policy", November 24).

The devaluation of sterling against other currencies has created new opportunities by making this country a more affordable destination. We believe that 1993 could be a record year for overseas visits, earning us some £8bn in foreign exchange.

It has also helped us in the domestic market by making many foreign holidays more expensive for UK citizens.

The British Tourist Authority is running vigorous promotional campaigns in key markets such as the US, Germany, France, and Japan. We would like to do more, but it would be wrong to rely on government funding alone.

The industry, which stands to reap the direct financial benefits, must also play an active role. We have developed a strong partnership with the private sector and I hope that we can persuade many more companies to join forces with us.

William Davis,
chairman,
British Tourist Authority,
24 Grosvenor Gardens,
London SW1W 0ET

Attractions of Greek stock market, despite recent slide

From Dr N A Niarchos.

Sir, Referring to Kerin Hope's article, "Athens sinks in spite of government reassurance" (October 10), I would like to make the following comments.

Indeed the Greek stock market experienced a significant slide in equity prices which brought the ASE composite index to lows not seen for the last 30 months. The problems outlined in the article, namely unrest and fears of war in the former Yugoslavia, the prospect of a harsh 1993 budget and high real interest rates have had an impact on the stock market.

As a matter of fact, the prevailing high level of short-term interest rates causes a flow of funds off the stock market into more attractive short-term money instruments and alternative investments.

Moreover, the underlying economic conditions (high public-sector borrowing requirements, inflation three times the EC average) make a quick fall in interest rates impossible for the next few months. In spite of the unfavourable business environment the overwhelming majority of listed companies has announced enhanced 1992 half-year results compared with last year.

Even if one looks further, an eruption in Serbia's Kosovo region in no way implies that Greece would get involved in the turmoil. The government has given repeated reassurances that Greece has neither any territorial claims against its northern neighbours nor any ambitions to interfere in the civil war in the former Yugoslavia.

The government's austerity programme is expected to exhibit positive results by mid-1993. The budget for the 1993 fiscal year foresees a primary surplus of around 5 per cent of the GDP, whereas inflation will fall to single figures by the last quarter of 1993. These positive developments will enable interest rates gradually to come down to reasonable levels, thus encouraging investment and fuelling economic recovery.

Bearing all this in mind, the recent decline of the stock market has brought stock prices to very attractive levels, with most companies trading at four to six times their expected 1992 earnings. Like every stock market, the Athens Stock Exchange is vulnerable to cyclical trends. Hence, it is in my belief that the Athens Stock Exchange will rebound sooner rather than later.

N A Niarchos,
president,
Athens Stock Exchange,
10 Sophocleous Street,
Athens 105 59, Greece

OBSERVER

Last of the oil mavericks

■ Forget any suggestion that tonight's annual dinner of the Association of Independent Exploration Companies will be a dull affair because Board of Trade president Michael Heseltine is not putting in an appearance. The news that Roland Shaw, one of the few real characters left in the industry, is finally quitting the executive suite should cause a stir.

The 71-year-old American-born oilman has defied gravity for so long that it is hard to imagine the industry without him. A big man in all senses of the word, he has dominated Premier and been the champion of the once-flourishing independent sector since the early 1970s.

His presence at Premier, which is now a minnow compared with the likes of Enterprise and Lasmo, is often cited as one of the reasons why Premier did not fall prey to predators – like so many of its rivals. Even the most ruthless shied away from tangling with Shaw.

When he eventually steps down – he will remain non-executive chairman for the moment – the sector will be a much duller place. Men in grey suits are far less exciting than big men with big views.

Ship to Shaw

■ Still on the subject of the Shaw clan, it's nice to see an old salt like Sir Brian Shaw (*no relation to* Roland) being put in charge of the Port of London Authority. More worrying is the fact that Sir Brian, who used to run Furness Withy, is also chairman of ANZ Grindlays Bank. The last person to double up as chairman of the PLA and Grindlays didn't have an easy time.

Lord Aldington stepped down from Grindlays in 1976 after two years of heavy losses, and a year later he handed over a near-insolvent PLA to government trouble-shooter, Sir John Cuckney. In Lord Aldington's day Grindlays' problems were in its merchant bank – Brandts. Today they are in India where ANZ Grindlays is arguing with the Reserve Bank of India over a Rs5bn claim.

But Sir Brian has two big advantages over Lord Aldington. Now that the port of Tilbury has been privatised, the chairman of the PLA doesn't have to deal with bolshie dockers any more. What's more he has a big portrait of Lord A hanging behind his desk to remind him of what can go wrong.

True colours

■ Prep-school behaviour among members of parliament is not confined just to the House of Commons it seems. Yesterday picture-restorers were spotted rushing across the road to No 1 Parliament Street, where MPs and their staff take their coffee breaks.

It seems that the Henry Mee portrait of Lady Thatcher which hangs over a fireplace there has been disfigured by the addition *of a small dark toothbrush* moustache. The smile on the face of Lord Wilson, who adorns the facing wall of the members' coffee shop, can now be seen to be of the Mona Lisa variety.

Hobson's choice

■ The theatrical world gathered in strength yesterday at the actors' church, *St Paul's, Covent Garden,* for the thanksgiving service for Sir Harold Hobson, long the drama critic of the Sunday Times. It is not only for his enthusiasm that Hobson is remembered; he also knew about seat prices. "If you have only 17 shillings and sixpence left in the world," he once wrote, "go and see Waiting for Godot. If you have 35 shillings, see it twice." Beckett's play was thus saved from being prematurely withdrawn from the London stage.

'John Major didn't go to university so he might not have known about Iraq'

Conductor

■ If Danny Chapchal's publicity handouts are to be believed then he is a company doctor with a fearsome reputation in making the high-tech end of the printing equipment business hum. However, the new proprietor of Atex, which supplies the computer pre-press systems to many of the world's leading newspapers, is also a classical music nut who is very proud of his cat called Herbie, named after von Karajan.

Chapchal, who cannot function without high-brow music playing in the background, has a thing about conductors. "A good conductor can turn the *village* band into the Philharmonic but a bad one can turn the Philharmonic into the village band," says Chapchal, quoting Fürtwangler, late of the Berlin Philharmonic.

There are nothing like enough good conductors within the ranks of Britain's smaller businesses, according to Chapchal, who sees himself as one of the leading performers in his own field. Having qualified as an accountant, he joined Linotype in the UK in 1976 and has criss-crossed the printing equipment world reputedly turning round one company after another. He even managed to conduct business with the late Robert Maxwell without a cross word.

But even he admits Atex is a far more difficult score. It is a multinational employing more than seven times as many staff as his own company, and it is losing money. If a blue chip like Kodak couldn't make a go of Atex, how can 47-year-old Chapchal?

The fact that he and his consortium of venture capitalist backers are buying Atex minus its potentially costly legal problems is a big plus. But Atex has to hold on to its big proprietary customer base as it moves to new *standard* platform-based systems. If Chapchal can orchestrate this elusive opus, then he will be deservedly called Maestro of the pre-press.

Mischance

■ Can it just be coincidence that 13 years of Tory rule is being marked by a series of political disasters beginning with the letter M – the 13th letter of the alphabet?

The more superstitious of John Major's supporters may see this as the curse of his deposed predecessor, Margaret Thatcher. The roll call is impressive: Monetary policy, Maastricht, Miners, Matrix Churchill, Mellor's Mistress, even the chancellor – la Mont (of French extraction, of course).

John Major, who was born in March, shouldn't be lulled into thinking that he'll be safe enough at the next European summit. It seems only fair to warn him that Edinburgh is in Midlothian.

FINANCIAL TIMES
Wednesday November 25 1992

IMF likely to back easing of Russia's free market strategy

By John Lloyd in Moscow

THE International Monetary Fund is likely to be persuaded to back a stronger, more interventionist economic strategy for Russia, officials close to negotiations for forming a new coalition government said yesterday.

They believe the IMF will see that the original free market policies which it supported were necessary to jolt the economy out of its administrative stasis but are no longer appropriate now it is clear that companies are not responding to price and other signals in the classic market fashion.

The more sympathetic response follows informal contacts between fund officials and the Civic Union bloc centrist parties and movements, near agreement on a new economic strategy under which the government will take an active part in creating a new class of managers. It will also subsidise, from the budget, leading enterprises which are seen as capable of restructuring and producing efficiently.

There will be temporary control of some prices, especially of commodities, such as medicines, which had been priced out of the reach of ordinary people, and of goods needed by companies.

Privatisation through the distribution of vouchers, seen by the Civic Union as doomed in its present form, will be allowed to continue but is expected to fail. The key is now seen to be the choice and promotion of the successful companies.

The IMF and the government have postponed until next year any attempt to conclude a standby agreement – now privately seen as impossible while inflation rises to above 30 per cent and while the government has no effective control of the financial levers, crucially the central bank.

However, the joint government-Civic Union strategy now being agreed is seen as potentially supportable – as long as it recognises that inflation must be curbed and the budget deficit kept within reasonable bounds.

Mr Boris Yeltsin, the Russian president and Mr Arkady Volsky, the Civic Union leader, have come closer in their thinking in the past two weeks, after a period in which both sides exchanged insults and challenges. The two men travelled together to and from South Korea last week, and have since represented their aeroplane conversations as critical in reaching understanding.

As well as the IMF, the leading industrialised countries are also likely to support a government-Civic Union coalition, especially if it offers, as it promises, a base of support to the Russian president.

Work remains to be done within the Russian government in getting agreement on a deal which goes against much of the free market purity of the initial programme. Work is also needed within the IMF and other western institutions, where the accent is strongly on combating inflation and bringing down the budget deficit.

However, there is a new sense in the west that a coalition government with a reformist bent, still led by Mr Yegor Gaidar, the acting prime minister, could attract aid and might be able, by administrative means of the kind used by Western European countries rebuilding after the war, to address the deepening crisis.

● Russia will today present new proposals in Paris on repayment of $70bn-$80bn to a group of 17 debtor nations. The debtor countries have received only minimal repayments in the past year.

Poland,IMF deal, Page 3

Montenegrin dam holding poisonous waste is in danger of collapse

Toxic flood threat to Danube

By Frances Williams in Geneva and Clive Cookson in London

UNITED NATIONS engineers are racing to prevent millions of tonnes of toxic mine waste poisoning the Danube river system after flash floods damaged a dam in the mountains of Montenegro, the former Yugoslav republic.

Mr Hans Zimmermann, a senior official with the UN disaster relief organisation in Geneva, said yesterday that the dam was on the verge of collapse.

An estimated 7m tonnes of toxic waste – containing heavy metals such as lead and zinc as well as pesticide residues – could then slide into the Tara river and, via the Drina, to the Danube above Belgrade, from where it flows through Bulgaria and Romania to the Black Sea.

The effect would be "absolutely disastrous", Mr Zimmermann said. "It would poison everything that lives in the Tara and probably the Danube as well." Everyone who drinks water from the Danube system would be in danger, he said.

High concentrations of heavy metals such as lead and zinc would not only kill fish and other aquatic life but also overwhelm water treatment facilities along the rivers.

Heavy metals are notoriously difficult to remove from drinking water, and expensive new plants, using techniques such as ion exchange, might have to be installed very quickly to make it safe.

The floods, in mid-October, washed away concrete slabs reinforcing the base of the earth dam, which is 600-700 metres long. It was built 30 years ago to hold poisonous waste from local mines.

But the full danger was not recognised until last week when UN experts visited the site, in a mountainous gorge at Mojkovac on the river Tara. The Tara, described by the Montenegrin authorities as the "cleanest river in Europe", is a Unesco-protected waterway.

The UN is preparing to fly in materials for building three jetties upstream to direct water away from the dam and prevent further erosion of its base. Officials hope to have the breakwaters in place within a week and to build a new retaining dam to shore up the old one by Christmas.

Although the floods have receded, Mr Zimmermann said the dam could topple at any time. "We cannot predict it; we can only work as fast as we can," he said.

The European Community has put up Ecu110,000 ($135,000) for the airlift of urgently needed equipment and materials. A Belgian air force transport has been chartered to fly tomorrow to Podgorica, the Montenegrin capital, from where its load will be transported 50km by road to the dam.

Mr Zimmermann said the dam was on a long list of items submitted by Montenegro to the UN last month, when it asked for sanctions to be lifted on supplies to repair extensive damage to infrastructure from floods.

Waigel announces DM12bn package for east Germany

By Quentin Peel in Bonn

MR Theo Waigel, the German finance minister, yesterday announced a DM12bn ($7.5bn) package of measures to help revive economic activity in east Germany, but insisted it would make no difference to his net borrowing requirement next year.

The key element in the plan is DM10bn to support indigenous east German entrepreneurs, by increasing the state subsidy for their investments in industry to 20 per cent, up to a maximum DM1m a project. This is to promote the creation of small and medium-sized enterprises in eastern Germany, where none such existed under communist rule.

West German investors in the east get a subsidy of just 8 per cent, and will continue to do so, in spite of indications that western investment is slowing.

Details of the package proposed by the parties in the German coalition government have yet to be worked out and will require a supplementary budget next year – but they would not result in any increase in overall spending above the present DM435.6bn, and no increase in net borrowing above DM43bn, Mr Waigel said.

Apart from investment subsidies, the package includes extra money for housebuilding and home modernisation, to underpin the sale of former state housing, much of which is in urgent need of repair. Total cost of the housing modernisation programme is now put at DM30bn.


Theo Waigel: revival plan

The package is intended as part of the government's contribution to its planned "solidarity pact" with German employers and trade unions, designed to stop the collapse of east German industry. It is also supposed to revive the flagging fortunes of the ruling parties in the east where the popularity, particularly, of Chancellor Helmut Kohl's Christian Democrats has plummeted since the 1990 general elections.

The government has also agreed in principle, as part of the pact, to preserve "core enterprises" of east German industry which cannot be privatised before the end of 1993, but which have a good chance of survival after restructuring.

Creation of such state-backed industrial holding companies amounts to a big switch in government policy at the instigation of the trade unions.

Mr Waigel has insisted he will not increase taxes to finance the soaring spending needs in east Germany, but he confirmed tax increases were likely to restructure the railway system.

He said there was a medium-term requirement for railway reform of "billions of D-Marks," which could not be financed within existing revenues. It would have to be financed either through a road toll or increased petrol tax.

Bonn policy dashes hopes

Continued from Page 1

The Bundesbank's provisional figures showed yesterday that M3 money supply climbed by 10.2 per cent in October, on a seasonally adjusted annualised basis, breaching 10 per cent for the first time since the M3 target was introduced in 1988.

This was far higher than the Bundesbank's target range of 3.5-5.5 per cent, and compares to a 9.3 per cent rate in September and 8.8 per cent in August.

Since the currency crisis of the late summer, the Bundesbank has sought to play down the temporary importance of growth in broad money, which includes cash, current accounts and short-term deposits.

However, on Monday night Mr Johann Gaddum, a member of the Bundesbank council, argued that the excess growth in money supply could not simply be "argued away".

Mr Jim O'Neill, head of research at Swiss Bank Corporation in London, warned that pressure on the franc would grow if France vetoed attempts to reach a trade deal between Europe and the US in the Gatt talks.

"The markets believe the European Monetary System is falling apart," he said. "If the French come out of the Gatt talks opposing a deal, that will add to this belief."

VW may cut dividend in the wake of sharp profits fall

Continued from Page 1

programme. Spending of DM6.7bn at the nine-month mark was almost 9 per cent lower than a year earlier and most of that was invested in Seat.

● Separately yesterday, VW's 125,000 German workers accepted a two-stage pay deal which will give them a 4.9 per cent rise for the 12 months from November 1, to be followed by a 3.5 per cent increase for the next nine months.

The bargain, struck against a background of 12,500 planned job cuts in the group and deepening economic gloom in Germany, compares with a rise of almost 7 per cent agreed last time. West German inflation next year is expected to average between 3.5 per cent and 4 per cent, according to most forecasts.

The structure of the deal is similar to that of a wider settlement agreed last spring for 4m members of the IG Metall engineering union comprising a 5.4 per cent first-stage increase and 3 per cent in the second leg.

World Weather

		°C	°F
Ajaccio	S	17	63
Algiers	S	20	68
Amsterdam	F	11	52
Athens	C	12	54
Bahrain	S	26	79
Bangkok	F	32	90
Barcelona	S	15	59
Beijing	S	10	50
Beirut	C	14	57
Belfast	F	10	50
Belgrade	S	11	52
Berlin	Dr	8	46
Biarritz	S	22	72
Bombay	S	33	91
Bordeaux	S	14	57
Boulogne	Dr	12	54
Brussels	Dr	11	52
Budapest	C	5	41
Buenos Aires	R	18	64
Cairo	S	22	72
Cape Town	C	19	66
Caracas	F	29	84
Casablanca †	S	[illegible]	[illegible]
Chicago †	C	3	37
Cologne	R	8	46
Copenhagen	C	9	48
Corfu	S	19	66
Dallas †	R	10	50
Dublin	C	11	52
Dubrovnik		–	–
Edinburgh	F	9	48
Faro	S	16	61
Florence	C	14	57
Frankfurt	C	7	45
Geneva	Fg	4	39
Gibraltar	S	15	59
Glasgow	F	10	50
Helsinki	F	-4	25
Hong Kong	S	26	79
Innsbruck	S	8	46
Inverness	F	9	48
Islamabad	F	19	66
Istanbul	F	8	46
Jakarta	R	31	88
Johannesburg	F	18	64
Lisbon	F	16	61
London	S	12	54
Los Angeles †	S	12	54
Luxembourg	Fg	5	41
Madeira	S	21	70
Madrid	F	11	52
Majorca	F	18	64
Malaga	S	16	61
Malta	S	20	68
Manila	C	31	88
Melbourne	S	17	63
Mexico City	C	21	71
Miami †	S	26	79
Milan	Fg	5	41
Montreal †	C	2	36
Moscow	C	-6	21
Munich	S	13	55
Nairobi		–	–
Naples	F	18	64
Nassau	F	30	86
New Delhi	S	30	86
New York †	C	9	48
Nice	C	14	57
Nicosia	F	14	57
Oporto	C	16	61
Oslo	C	2	[illegible]
Paris	F	12	54
Prague	Fg	5	41
Reykjavik	F	3	37
Rhodes	S	13	55
Rio de Janeiro	R	34	93
Rome	C	16	61
Salzburg	S	11	52
S'Francisco †	F	10	50
Seoul	C	13	55
Singapore	F	29	84
Stockholm	R	4	39
Strasbourg	S	6	43
Sydney	S	25	77
Taipei	C	25	77
Tangier	F	17	63
Tel Aviv	C	17	63
Tenerife	S	[illegible]	73
Tokyo	F	17	63
Toronto †	Dr	3	37
Tunis	F	18	64
Valencia	S	20	68
Venice	F	10	50
Vienna	C	4	39
Warsaw	C	3	37
Washington †	S	7	45
Zurich	C	7	45

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

Thorn strikes a chord

It may yet be demonstrated that Thorn EMI paid over the odds for Virgin. But Sir Colin Southgate, Thorn's chairman, did an impressive job yesterday in persuading the market that there is no early cause for concern. Thorn is clearly getting to grips with its controversial acquisition, has cut out a swathe of costs duplicated by the EMI music business, and even managed to squeeze out a £5m first-half profit which few had anticipated. Vindication for the £550m price tag, though, will only come in 1993-94 if Virgin is seen to have contributed the £80m-£85m being muttered about today.

That said, there was plenty in the interim statement to justify a 20p bounce in the shares. The music industry may be sluggish, but at least the evidence is that it is still growing. EMI, excluding Virgin, should widen its margins for the year as a whole. Meanwhile, the rental division's UK performance may have been predictably drab – and continuing losses from Rumbelows disappointing in the wake of last year's provisions. But the growth rate of Rent-A-Center in the US is in the high teens. Group cash flow remains formidably strong, and gross interest cover is a comfortable 4½ times.

One uncertainty is whether the market will value Thorn primarily as a defensive or as a cyclical stock. That it has both qualities at the same time may be an advantage at this uncertain stage in the cycle. Longer term there are risks, but these would be offset if the sale of lighting and security – and thereafter demerger of the two main businesses – eventually goes ahead.

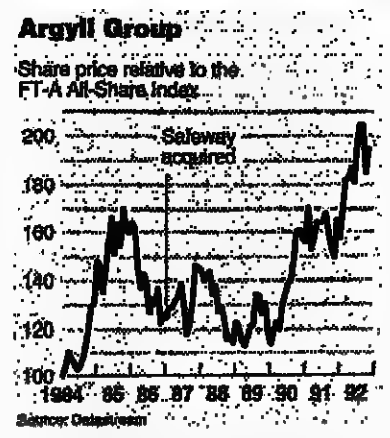
Argyll

Argyll seems to be moving up a gear. Given the nagging concern that the big three grocery chains are close to saturating the UK market, shareholders might be forgiven for wondering whether they are in for a white-knuckle ride. Capital expenditure will rise by 50 per cent this year, according to yesterday's interim statement, and climb again next year. More significantly, a sharp rise in the cost per square foot of new stores suggests Safeway is starting to confront Sainsbury and Tesco head on. Since Argyll has in the past trumpeted its advantage as developer of cheap retail space, it can hardly expect the market not to flinch when this starts to erode.

The average cost of new space for

FT-SE Index: 2727.1 (+4.2)

Argyll Group



Safeway is being inflated by the development of a few expensive stores in prime locations. Argyll legitimately argues it is protecting positions of market leadership. The risk, though, is that the company will be drawn into an expensive – and ultimately fruitless – attempt to keep Sainsbury and Tesco off what it regards as home turf.

But that point is some way off. The latest flagships are producing a healthy return on capital. Argyll still prefers, where possible, to concentrate on cheaper space rather than slug it out for premium sites. Yet sales growth at Safeway is keeping up with the best of the competition. By increasing its investment in the discount end of the market through Presto and Lo-Cost, Argyll is also spreading its risk. With efficiency improvements still to come, the shares could yet close the substantial rating discount to Sainsbury.

Vodafone

If the yuppie is dead and buried, someone is still using his phone. Vodafone produced results which would have been impressive even in the good old days. The 23 per cent rise in earnings per share underlined how the company is squeezing the most from all parts of its business. And while the weighting of capital expenditure and amortisation to the second half flatter the interim figures somewhat, there is no doubt that Vodafone's management has done a good job.

However, any company producing an operating profit of £152m from £320m of sales is on to a pretty good thing. The UK cellular duopoly has served Vodafone well, and the management must be wondering how long its good fortune can last. The company is certainly doing its best to get its eggs out of one basket before the mobile phone market becomes more competitive. It is moving into cellular overseas and is developing digital systems aimed at both the pan-European business market and the not-very-mobile consumer.

Still, margins on cellular will fall as extra competition enters the market. Vodafone still has to manage the transition from running a high-margin, low-volume operation to a low-margin mass-market range of services. Next year's proliferation of standards may postpone the day of reckoning if confused consumers hang back. But then investors with vertigo may feel nervous about a market value of £4bn for a company with about £500m assets.

UK gilts

The Bank of England has certainly done its best to make its first gilt auction since the devaluation attractive. Not only will the sale create a new 10-year benchmark with liquidity appeal. The partly-paid structure, under which the last instalment of half the principal is not due till next April, also creates an unusually large gearing advantage. Both factors speak for the auction's success. Whether that means worries about funding have been overdone is another matter.

Overseas investors, who normally like paper of this maturity, are still hesitant. Sterling is on the sidelines of the latest market turbulence. So it might make sense for international investors to switch into gilts from French government paper, where the exchange risk is growing. But gilts are already trading at a yield premium of only some 125 basis points to German government bonds. D-Mark paper itself – or other markets in dollars, perhaps, or Swiss francs – offer a more attractive haven than gilts.

At some stage the Bank will need to find a way of tapping foreign demand if it is to meet next year's requirement. For the time being, its new paper will go largely to domestic buyers. It may help that institutions still want to increase their weighting in gilts, while the market has been undersupplied since the previous auction in August. Still, the real state of demand will best be measured by the extent to which successful bidders are simply switching out of longer-dated paper, depressing yields at that end of the maturity spectrum.

صور الأصل

INSIDE

Westinghouse softens criticism

Drastic restructuring announced this week by Westinghouse Electric has softened, but far from eliminated, criticism over the running of this 106-year-old US conglomerate. The Pittsburg-based giant has been dogged for the past two years by problems in its financial services arm, mainly the result of poor property investments. Page 17

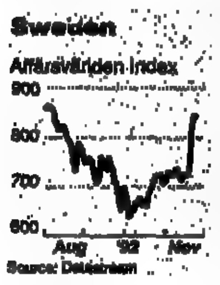
Strategic overhaul

Change has become the only constant at International Business Machines, as the computer giant overhauls operations, cuts its workforce and decentralises its businesses. However, perhaps the most fundamental shift to date was this week's announcement that it was forming a unit to focus on "client-server" computing – in which mainframe computers are replaced by networks of desktop computers and "servers". Page 18

TDK falls 34.5%

TDK, the world's largest manufacturer of magnetic tapes, reported a 34.5 per cent drop to Y18.17bn ($146.53m) in consolidated pre-tax profits in the half-year to September. Page 16

Swedish bourse revived



Swedish equities have climbed 13 per cent since the krona was floated last Thursday, and on Friday turnover more than doubled to SKr2.7bn ($402m), some five times its level of a week earlier. It slipped back to SKr916m yesterday. Many believe the revival has further to go. Back Page

Argyll sees further growth

Argyll Group, the Safeway, Presto and Lo-Cost food retailer, raised interim pre-tax profits 15.4 per cent to £205.1m ($311.5m), at the top end of stockbrokers' expectations. Sir Alistair Grant, chairman, said he was confident there was still a lot of growth left in the food retail sector, although it was an "increasingly competitive marketplace". Page 20; Lex, Page 14

Vodafone rises to £160m

Vodafone, the mobile communications group, reported a 23 per cent increase in pre-tax profits for the half year to September 30, largely due to continued growth in its customer base and improved profit margins. Profits were £160m ($243m) compared with £130m. Page 22

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Docks de Fr	495	+	28
Falls				Ecco	356	+	21
Bayer	248.5	-	8.5	Intertechnique	395	+	27
Continental AG	203	-	7	Navigation Mixte	825	+	65
DLW	442	-	12.5	Falls			
Heidelbergm Pp	840	-	25	Club Med	567	-	29
Kaufhof	429	-	18	**TOKYO (Yen)**			
Volkswagen	268.5	-	17	Rises			
NEW YORK ($)				Gajisen Kaisha	147	+	20
Rises				Hitachi Chemical	950	+	100
Dell Computer	25¼	+	1	Kyodo Shiryo	350	+	30
IBM	64⅞	+	1½	Nagase	651	+	61
Intl Paper	62⅛	+	1½	Toyo Menka	214	+	19
Falls				Falls			
Jay Jacobs	10	-	1	Sodick	529	-	43
Martin Marietta	61⅞	-	3				
Woolworths	11⅛	-	¾				
PARIS (FFr)							
Rises							
Air Liquide	750	+	42				

New York prices at 12:30.

LONDON (Pence)				Falls			
Rises							
Acton	15	+	2	AMEC	70	-	6
Barclays	398	+	15	Cook (DC)	17	-	2
Costa	497	+	11	Greycoat	13	-	2
Fitzroy	197	+	22	Kalamazoo	27	-	2½
Inch Kenneth	240	+	35	Lovell (YJ)	15	-	2
Lowndes Lambert	308	+	11	McCarthy Stone	30	-	5
Park Food	172	+	8	Sims Food	205	-	16
Pochins	69	+	9	Young (H)	40	-	7
Thorn EMI	795	+	21				
Vodafone	401	+	14				

Continental sees significant profit at year-end

By David Waller in Frankfurt

CONTINENTAL, the German tyre company, yesterday predicted that it would make a "significant profit" for the 1992 year.

Continental also said that profits for the first nine months of this year were considerably ahead of the same period last year, despite a noticeable slowdown in the third quarter. But the company released no actual profit figures.

In the first nine months of the year, group sales climbed by 3.9 per cent to DM7.2bn ($4.5bn), the company said yesterday. Sales were on course to reach DM9.7bn for the 12 months, against DM9.38bn last year.

Growth in turnover would have been higher but for currency movements and the deterioration in the world economy, the Hanover-based company said. The group had been expecting turnover of DM10bn this year.

Last year, the group incurred net losses of DM128.2m, which was turned round to a profit of DM118m in the first six months of the current year. Yesterday's letter to shareholders from the company's management board said that third-quarter results were not up to the level achieved in the first half because of the economic downturn in Germany and abroad.

Despite the slowdown, Continental said it foresaw no serious business difficulties in the rest of the year, although the business environment would become steadily more difficult in 1993. This would slow down the group's efforts to increase profitability.

It said that General Tire, its loss-making subsidiary in the US, had managed to halve its losses during the first nine months, as planned. Sales had held up at the level of the previous year, at $1bn in local currency terms, although this represented a fall of 3 per cent to DM1.58bn in D-Mark terms. General Tire was likely to benefit from the anticipated revival of the US economy and was on course to make a profit next year, Continental said.

The group said it would use every opportunity to compensate for an anticipated downturn in sales to domestic vehicle manufacturers by stepping up its export business and sales of replacement tyres.

General Motors' credit rating cut by Moody's

By Martin Dickson in New York

GENERAL Motors, the embattled US carmaker, suffered an embarrassing and potentially costly financial blow yesterday when Moody's, the US credit rating agency, lowered its ratings of the company's debt.

The downgrade, which will tend to raise GM's borrowing costs, will be felt particularly hard by General Motors Acceptance Corporation, GM's huge financial services arm.

It relies on the short-term commercial paper market as an important source of cheap funds, which it then uses to offer financing on GM vehicle sales. Its commercial paper rating has fallen from Prime-1, the very top rating, to Prime-2, which will push up the interest rates GMAC has to pay to sell its paper and may make it harder to place the securities.

A reshuffle of GM's top management at the start of this month was prompted in part by boardroom concern that the two leading credit information agencies – Moody's and Standard & Poor's – might be about to lower the company's ratings. Standard & Poor's is still considering its position.

The upheaval included the resignation under pressure of Mr Robert Stempel, chairman, and the formation of a younger management team led by Mr Jack Smith, the new chief executive.

Mr Richard Wagoner, the new chief financial officer, said both GM and GMAC remained highly liquid, with very good access to the capital markets and extensive bank credit facilities. He noted that GMAC was supported by almost $9bn in equity capital, loss reserves of more than $1bn and available committed bank credit lines of more than $12bn.

Moody's downgrade also includes GM's senior debt, which is lowered from Single A-3 status to Baa1 and its preference stock, which falls from Single A-3 to Baa3. GM announced earlier this month that it planned to raise up to $1bn through new issues of preference stock over the coming months.

The commercial paper of GM Hughes Electronics, its aerospace business, is also lowered from Prime-1 to Prime-2, but Electronic Data Systems, its information systems business, retains its Prime-1 ranking.

Moody's said the downgrades reflected GM's "weakening competitive position in the North American auto market and Moody's expectation that it will take several challenging years for GM to realise the full benefits of cost reductions and other operating improvements being implemented by its restructured management team."

The company's North American car operations lost $3bn before interest and tax in the first nine months of this year.

Sara Lee in talks to purchase BP's consumer food group

By Guy de Jonquières, Consumer Industries Editor

SARA LEE, the US textiles, food and consumer products company, is in advanced negotiations to buy British Petroleum's consumer food group, which produces and sells packaged meats in several European countries.

The value of the planned deal has not been disclosed but is thought to be between $100m and $120m.

The two companies said yesterday that they expected to reach final agreement by the end of the year.

The consumer products group, which had sales last year of about £190m ($286m) and employs 2,300 people, is part of BP Nutrition.

BP indicated in February it would entertain offers for Nutrition to help pay down its $16bn of debt.

The pace of disposals was accelerated and the dividend cut this summer after Mr David Simon took over as chief executive. His predecessor, Mr Robert Horton, was ousted as chairman and chief executive in a boardroom coup.

BP is on target for raising $1.5bn from disposals this year and is confident of generating $2bn next year, it said earlier this month when it published better than expected third-quarter results.

The Sara Lee deal would be the first disposal of part of BP Nutrition, which has annual sales of about £3bn.

These also include the supply of animal feed, seafood and household products.

Sara Lee, which was selected from several rival bidders, is a leader in the US packaged meats business, where it owns national brands including Jimmy Dean, Hillshire Farm and Ball Park.

The company has been seeking to enter the business in Europe, where it already markets brands including Playtex bras, Dim and L'Eggs tights, Kiwi shoe polishes and Douwe Egberts coffee.

BP's consumer food group sells cooked sausage, salami, ham and other processed meats mainly in Spain, Portugal, the Benelux countries and Britain.

The group, which is said to be profitable, is headquartered in the Netherlands.

Christopher Parkes on the moves German industry is making to cope with falling profits after the euphoria of reunification

Corporate body shapes up to a tougher regime

GERMAN industry has been cutting the fat for the best part of a year. Now it is trying to tone up the slenderised body corporate.

Workforces and wage bills, bloated by the need to keep up with demand in the boom that followed reunification, are still being squeezed back into shape.

But as employers face up to the prospect of forced redundancies, they are also starting to look for economies from restructuring.

The need for further action from companies has become clear in the past few days with the release of a series of grim third-quarter figures.

Daimler-Benz set the tone with an out-of-the-blue "background briefing", forecasting that full-year profits would fall by almost a quarter.

It was preparing the ground for an interim report which showed an 8 per cent fall at the nine-month mark, caused by unexpected upsets in its main profits source, Mercedes-Benz. Then came the three big chemicals groups: Hoechst, down 19 per cent; BASF, down 45 per cent; and Bayer, off a mere 16 per cent. Metallgesellschaft's full-year result from its mining and industrial activities was 23 per cent lower.

Engineering giant Mannesmann will shortly enlarge on this week's advance warning of "considerably lower" nine-month earnings.

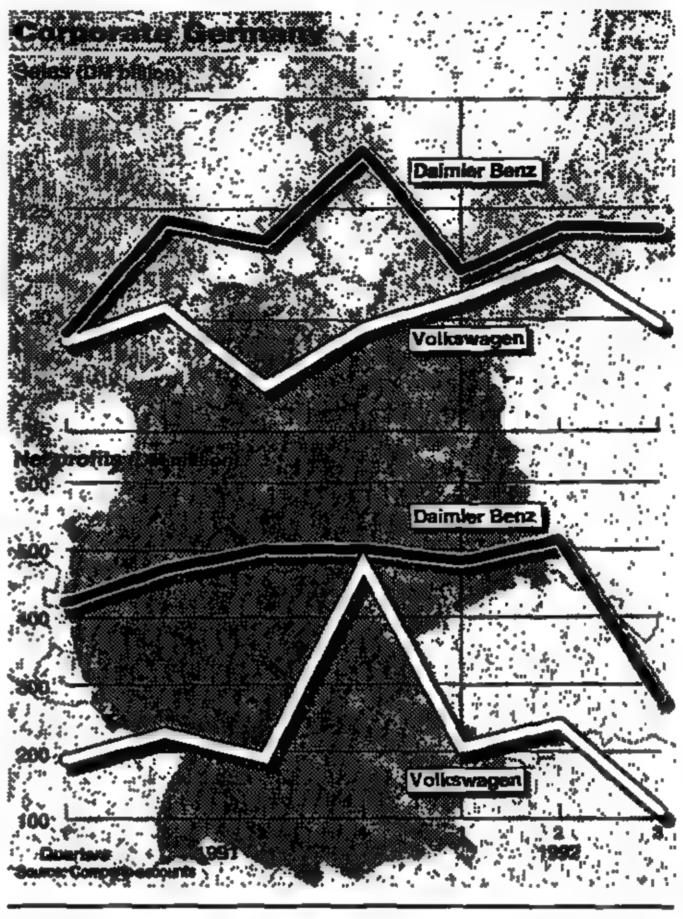
Volkswagen, reporting yesterday, said that, after a 13 per cent drop in profits in the first nine months, the outlook for the fourth quarter had worsened "drastically". The company hinted that it may cut its dividend.

German industry, as Daimler's interim report suggested, has been caught off guard by the suddenness and severity of the third quarter downturn. In the spring the group had promised an "excellent" result, and profits were ahead 16 per cent after six months.

Part of the problem stems from miscalculations of the timing of international recovery – an appearance billed for September this year has now been postponed to some time in 1993. Part lies with devaluations in important export countries and the consequent losses in translation of sales and earnings to D-Marks.

According to Mr Manfred Schneider, chairman of Bayer, currency fluctuations cost his group DM904m ($565m) on its sales figure for the first nine months and more than DM100m in profits.

But as results from the groups' German-based parent companies showed, the domestic slowdown has played a considerable role. These ranged from a 73 per cent slump in the BASF parent, to 28 per cent at Hoechst and 27 per cent at VW.



The need for savings has become clear in the past few days with the release of a series of grim third-quarter figures from the leading lights of the German stock market

Against this background, the leading lights of German industry are doing more than simply shedding jobs.

Marginal and loss-making operations are being shut or sold. Mergers and collaborations of every kind are being discussed and even management is being squeezed.

Accelerated job cuts at Bayer – more than 6,000 will go this year – have so far kept the increase in the group's wage costs to less than 1 per cent. But, as Mr Schneider said, there are "some structural problems" in sectors where German manufacturers were losing or had already lost the ability to compete. An unspecified number of production facilities in the dyes and inorganic chemicals business would have to be closed, he said.

At Hoechst, meanwhile, the PVC business – another area facing murderous price competition in over-supplied world markets – is to be merged with that of Wacker-Chemie in an attempt to gain critical mass. According to Hoechst, the deal would give the combined group a 10 per cent share of west European production capacity.

BASF, in another consolidation move aimed at making "considerable savings", said yesterday that its computer services division was to close 16 of its centres. The workload, at present spread around 10 European countries, would be concentrated in three centres: two in Ludwigshafen and one in Antwerp.

Earlier this week the group announced the closure of unprofitable oilfields and the disbanding of its composite materials division and said it was considering collaboration with others in the field of magnetic audio and video tapes.

At Daimler-Benz, where plans were recently unveiled to streamline the headquarters of its AEG subsidiary, reducing staff from 940 to less than 200, the same subsidiary is talking hard with Siemens on a project possibly to merge the two groups' railway interests. Siemens seems to have bucked the downward trend of big German companies.

Difficult, long-term industrial issues, with implications reaching far beyond the foreseeable limits of the international recession, are being debated with unusual vigour and acted on with characteristic caution. Structural measures undertaken so far are minor in comparison with the radical changes imposed in other industrialised countries.

Industry seems unwilling to cut deeper until it has clearer indicators of how deep, long and damaging the current downturn will be.

In the meantime, it may hope with some justification that Bonn will at last respond to its long-running appeals for relief from what it considers the competitive disadvantages imposed by federal policies. Long-awaited corporate taxation reforms, for example, are already under way.

There are also signs of growing conviction in government departments outside the environment ministry that the rigorous rules on nature protection are undermining investment prospects in both sides of the country.

According to Bayer's Mr Schneider, all industry wanted of Bonn was that it should ensure that business could operate under the same competitive conditions as its international rivals.

The conviction that Germany's players already feel fit enough to compete, and all that remains is for the government to level the playing field, seems unshakeable.

Volkswagen results, Page 1

Hachette revises terms for merger with Matra

By Alice Rawsthorn in Paris

HACHETTE, the heavily indebted French media group, has revised the terms of its proposed merger with Matra, the defence electronics company also controlled by the Lagardère family, and finalised plans for its own FFr900m ($166m) capital increase.

Under the new merger terms the shareholders in Matra will receive 13 Hachette shares for every five of their Matra shares.

This is an improvement on the original merger terms in which Matra's investors would have received five Hachette shares for two shares in the defence electronics group. Matra's shareholders will receive a package of shares in Hachette worth just over FFr1,240 for Matra shares worth FFr973.50.

Since the announcement of the original terms Hachette has performed poorly. It has also discovered the extent of its exposure to La Cinq, the French television station that collapsed earlier this year, in which it was the managing shareholder.

A French court on Monday ruled that Hachette had to inject FFr100m into La Cinq. Hachette has already made provisions of FFr3.54bn to cover its liabilities on the station.

Mr Philippe Camus, chairman of MMB, Hachette's main shareholder, said these provisions were "more than adequate".

Mr Camus also disclosed the final terms of Hachette's proposed capital increase. The company plans to raise FFr900m by issuing 11.8m shares at FFr76.30 each.

The price of the issue compares with Hachette's suspended share price of FFr95.40.

Accor sees disposals as key to reduced gearing

By Michael Skapinker, Leisure Industries Correspondent

ACCOR, the French hotels-to-luncheon vouchers group, is to slow its pace of expansion and make up to FFr3bn ($551m) of disposals by the end of 1994 to reduce its gearing to less than 100 per cent.

Mr Paul Dubrule, co-chairman, said in London yesterday that the group's profits would fall to FFr800m this year, compared with FFr948.6m in 1991.

Accor - *which over the past* two years has acquired Wagons-Lits, the Belgian travel company, and Motel 6, the US hotel chain – puts its current gearing at 111 per cent.

Mr Dubrule said the group expected to announce within the next 15 days that it had sold Wagons-Lits' French motorway restaurants business to a European buyer for more than FFr500m. He would not identify the purchaser.

The European Commission last April instructed Accor to sell the restaurants because they would have given the group too dominant a position on French motorways.

Mr Dubrule said Accor would sell Europcar, its vehicle rental company, if it did not achieve profitability by next year. Europcar is a joint venture with Volkswagen.

He said Accor would attempt to achieve substantial savings by making greater use of the joint buying power of its subsidiaries. As the owner of travel agencies, Accor was a large customer of carriers such as Air France and British Airways, who were in turn users of the group's hotels. It would use this dual position to gain better deals from the airlines.

Sellers of the company's luncheon vouchers were working more closely with Accor's corporate catering arm. If customers did not want luncheon vouchers, sales staff were now suggesting they look at the group's catering services.

Mr Dubrule said that although Accor still wanted to expand, in countries such as Germany, the growth of its hotel network would be considerably slower than in previous years.

Earnings growth slowing at Nestlé

By Ian Rodger in Vevey

PROFIT growth at Nestlé, the world's largest foods group, is slowing in the second half, Mr Helmut Maucher, chairman, said at the group's regular autumn press conference.

Mr Maucher said the group could not maintain the 16.5 per cent level of profit growth achieved in the first half as recession deepened in many of its markets, but he said the result would still be "satisfactory".

Sales would probably grow 9 per cent to SFr55m ($38.22m) this year.

In the first 10 months of the year, sales were up 8.3 per cent to SFr44.3bn, but volume growth, which was running at 3 per cent in the first half, slumped to 2.3 per cent in the 10 months, mainly due to a steep decline in sales in Brazil.

The Swiss franc's rise against most other currencies eliminated foreign exchange gains. Source Perrier, consolidated since July 1, contributed SFr800m in the four months to October 31.

The group's net debt soared from SFr7.1bn at the end of June to SFr10.4bn at the end of October, mainly because of the SFr3.4bn Perrier acquisition.

Restructuring of Finnish banking gets under way

By Christopher Brown-Humes in Stockholm

THE FIRST move in a widely-expected restructuring of the troubled Finnish banking system was made yesterday when Kansallis-Osake-Pankki, Finland's leading commercial bank, announced plans to take over STS-Bank, the country's sixth-largest bank.

As part of the deal, KOP and the government guarantee fund are to set up a new company to shoulder STS's problem loan portfolio of some FM2.2bn ($430m).

KOP is paying FM75m to take over 67 per cent of STS from the STS Foundation immediately, and will then make a public offer for the remaining shares.

It will also invest a further FM50m for a 10 per cent stake in the company taking over STS's problem loans, with the government guarantee fund injecting FM450m for the balance.

Mr Pertti Voutilainen, chief executive, said KOP would strengthen its presence in the household sector by acquiring STS. It will take over FM10bn in loans from STS and FM7.5bn in deposits.

He added: "The co-operation now agreed is a significant start to the elimination of excess capacity in the Finnish banking sector. It will not solve all the problems in this field, but it is a step in the right direction."

KOP expects to close all but 10 to 15 of STS's 100 branch network.

Both banks have been badly hit by the severe Finnish recession and high credit losses. KOP reported a FM2.53bn loss for the first eight months and STS a FM281m loss.

The government guarantee fund has already announced plans to merge Skopbank, which had to be rescued by the state last year, and the Savings Bank of Finland as part of a streamlining of the banking sector. Many Finnish commentators believe there may be only two or three large banking groups after the consolidation process has been completed, clustered round KOP and Unitas.

Hungary to make further offering

By Nicholas Denton in Budapest

HUNGARY is to launch another large public share offering as part of the government's attempt to revive the fledgling Budapest stock exchange and raise local interest in privatisation.

Danubius Hotel and Spa, a state-owned hotel chain, will offer Ft2bn ($24.3m) of shares to domestic shareholders on December 1. This follows the announcement last Friday of the plan to sell up to Ft1.36bn of capital in Pick Szeged, the salami producer.

The Danubius issue, lead-managed by the Hungarian investment banking subsidiary of Creditanstalt, the Austrian bank, represents 25 per cent of the company's capital. Each share, worth Ft1,000, offers a price-earning ratio of 12.6 based on forecast 1992 results.

The government hopes both offerings will boost the Budapest stock exchange, which was created in early 1991. Only three of the 21 shares traded attract regular investor interest. It is also hoping to attract domestic investors and reduce dependency on foreign investment for privatisation.

Unprecedented inducements will be offered to small investors to participate in the latest offerings. Only 10 per cent of the price will be required as down payment, with a further 40 per cent due after six months and the remainder financed through cheap credit. Investors will also be entitled to one bonus share for every two held for a year.

At the same time, an international placement for the company was delayed until next year because officials were not satisfied with the foreign investors' evaluation of Hungary's country risk.

The forthcoming flotation comes more than two years after the company was first earmarked for privatisation. The first attempt, late in 1991, failed because the government unexpectedly withdrew a preferential credit for the company, considerably reducing its value to investors.

Karstadt lifts group sales to DM14.5bn

By David Waller in Frankfurt

KARSTADT, Germany's largest department store group, yesterday reported that group sales climbed by DM1.1bn ($686m), around 8 per cent, to DM14.5bn in the first nine months of the current year.

The group said that although the consumer climate had deteriorated in Germany in the third quarter of the year, the retail sector had livened up slightly in September and predicted that the trend would continue in the run-up to Christmas.

It said that although sales *for the year would exceed the* 1991 level, profits would not reach the same level of last year because of increased costs: operating costs climbed by 11.5 per cent, reflecting staff numbers up from 49,619 to 52,719.

Group profits last year were DM256.99m on gross sales of DM20.13bn.

At parent company level, which excludes the group's travel agency activities, sales were DM8.85bn including value-added tax, an increase of 7.8 per cent over sales in the same period last year.

Finnair losses deepen to FM197m at six months

By Christopher Brown-Humes

FINNAIR, the Finnish state airline, said its loss after financial items deepened to FM197m ($38.54m) in the six months to September 30 from FM31.2m a year earlier.

The airline blamed weak domestic demand and adverse exchange rate movements, following last year's markka devaluation, for the deterioration.

Turnover rose 2.1 per cent to FM2.82bn, but costs climbed 5 per cent to FM2.64bn despite a cost-cutting drive, which has resulted in 524 job losses in the past year and 1,014 job losses in two years.

Finnair was gloomy about the immediate outlook because of the continuing recession in the domestic economy.

It also pointed to further exchange rate uncertainty after Finland's decision in September to float the markka, saying this had increased its costs more than its income.

Thorn EMI in 11% advance

By Michiyo Nakamoto

RECORD profits from EMI Music, combined with the benefits of cost-cutting operations, supported an 11 per cent rise in pre-tax profits at Thorn EMI, the music and electrical rentals group, from £94.9m to £105.2 in the first half.

Thorn also announced a higher than expected dividend of 9.0p (from 8.6p).

The performance, which included a four-month contribution of £5m from Virgin Music, was better than expected.

Thorn's share price rose yesterday, closing up 21p at 796p and offsetting recent losses brought on by speculation that the company was having trouble integrating Virgin Music.

Sir Colin Southgate, chairman, said that while the rest of the financial year would continue to be difficult, he expected the full year to show improvement over the last two with the greater contribution from Virgin.

"The UK markets continue to be worse than expected and Rumbelows will continue to suffer," he said.

Rationalisation measures should yield annual savings of £20m. "We have the business under good control," he said.

Turnover increased to £1,945.3m (from £1,760.5m), helped by a strong performance from EMI Music, where turnover rose 24.6 per cent to £614.0m.

With Virgin's contribution, music division profits rose by 16 per cent to £60.6m, although EMI Music achieved record first-half results before taking Virgin Music profits into account.

Lex, Page 14

GM to cut car production

By Kevin Done, Motor Industry Correspondent

GENERAL Motors is being forced to cut production at its Belgian car assembly plant in Antwerp in the face of "declining prospects" for new car sales in western Europe.

The cutback, which is the first at any of GM's assembly plants in continental Europe, follows its move last week to reduce output at its Luton plant in the UK.

GM said it would eliminate 13 production days during the first four months of 1993 at the Antwerp plant, which can produce 407,000 cars a year.

Norway committed to aid for banks, minister says

By Karen Fossli in Oslo

NORWAY stressed yesterday that Monday's NKr5bn ($766m) state rescue package for the country's three biggest banks underlined continued commitment to maintaining confidence in the domestic banking system.

Mr Sigbjoern Johnsen, Norway's finance minister, will submit a proposition to parliament on Friday on replenishing the capital of the state-backed bank insurance fund. This would facilitate capital increases to Den norske Bank, Christiania Bank and Fokus Bank.

Mr Johnsen said yesterday that the latest rescue package affirmed that the government's commitment to supporting the banking system was not limited to the measures to be presented to parliament.

The controversial package, however, is being rebuffed by opposition parties which have called for state guarantees instead of direct cash transfers.

Shareholders criticise Amstrad chief

By Michiyo Nakamoto and Paul Taylor in London

MR ALAN SUGAR, founder and chairman of Amstrad, was yesterday criticised by disgruntled shareholders who packed the annual general meeting of the troubled UK computer and consumer electronics company which he is trying to take private again.

The meeting was dominated by shareholders who put aside their grievances about Amstrad's lacklustre performance and focused their anger on the proposal by Mr Sugar to buy *them out at what seemed to* them a meagre 30p per share.

Several shareholders expressed unhappiness at the high emoluments they believed Mr Sugar and Amstrad directors were receiving when shareholders had been deprived of a final dividend.

There were strong demands from shareholders for efforts to be made to retrieve as much as possible from the company for shareholders.

One suggestion was to use the £50m ($75.5m) that Amstrad is lending Mr Sugar to fund the buy-out to pay a divi*dend to shareholders instead.* This was rejected by the company on legal grounds.

It was also suggested that a trust be set up for shareholders to benefit from any possible proceeds from litigation pending in the US in which Amstrad is a plaintiff.

Challenged on his buy-out offer to shareholders, Mr Sugar reiterated his view of the gloomy prospects for the company and the need to shrink the business. Shareholders would not do any better than the 30p he was offering, which was final, he said.

INTERNATIONAL COMPANIES AND FINANCE

Ottawa props up Canadian Airlines

By Bernard Simon in Toronto

THE Canadian government is providing C$50m (US$39.6m) to prop up Canadian Airlines International while talks continue on a contentious alliance between the ailing Calgary-based airline and American Airlines of Dallas.

The funds fall far short of the C$290m in federal and provincial government loan guarantees sought by PWA Corp, Canadian's parent company, to fulfil conditions set by American.

However, the support is likely to be sufficient to keep Canadian flying until at least Christmas. Canadian is in a furious battle for survival with its rival, Air Canada. The two carriers are losing about C$2m a day between them.

Mr Jean Corbeil, transport minister, indicated yesterday that Ottawa was unhappy with some aspects of American Airlines' proposal, which was presented to the government earlier this month by Mr Rhys Eyton, PWA's chairman, and a group of PWA employees.

Mr Corbeil said that conditions set by American "raise for the government a number of difficult issues", including federal budget constraints and an unwillingness to expose taxpayers to imprudent financial risk.

American has proposed investing C$246m in PWA for a 25 per cent equity stake, the maximum allowed by law. PWA employees would contribute another C$100m-C$150m.

However, the US carrier has demanded a veto over PWA's business plan, the appointment of its chief executive and any sizeable capital outlay or acquisition.

The most contentious issue is American's demand that Canadian join American's Sabre computerised reservation system, abandoning its links with the Gemini system which it shares with Air Canada.

The government's dilemma is reinforced by the political overtones of the airline battle. With its base in Calgary, PWA is a flagship of western Canadian business. Air Canada's head office is in Quebec. Offending either region could cost the ruling Conservative party dearly in next year's general election.

Westinghouse bites the bullet

Martin Dickson on problems at the Pittsburgh-based conglomerate

A DRASTIC restructuring announced this week by Westinghouse Electric has softened, but far from eliminated, a chorus of criticism over the running of this fallen giant of US industry.

Pittsburgh-based Westinghouse, a 106-year-old conglomerate with interests ranging from electrical power generating equipment to radio and television stations, has been dogged for the past two years by severe problems in its financial services arm, mainly the result of poor real estate investments.

On Monday, facing growing pressure from institutional shareholders and mounting concern about its finances on Wall Street, it finally bit the bullet and announced plans to get out of financial services, cut its dividend, take a $1.13bn after-tax charge and sell off several other businesses to bolster its balance sheet.

The action, insisted Mr Paul Lego, chairman, would allow Westinghouse to "put our financial services problems behind us". That may prove so, yet Mr Lego still faces the problem of a lacklustre economic environment and criticism from shareholder groups over management's style and strategies.

Indeed, this week's action was prompted in part by the targetting of Westinghouse by the US corporate governance movement – activist institutional investors which want a greater say in the running of poorly performing companies.

While the restructuring will be welcomed by these groups, it seems unlikely to stop them pressing their much wider reform agenda.

Ms Nell Minow, of Lens Inc, a small investment group

which also includes Mr Robert Monks, a leading corporate governance activist, describes Westinghouse's action as a "real positive step forward", but probably not enough to make shareholders withdraw their resolutions.

Westinghouse's problems go back to the 1980s when the company, fearing hostile takeovers, pushed for short-term profits. It sold off dozens of subsidiaries (some to purchasers who crowed about turning the businesses around) and let slide its research, development and capital spending.

The result was strong earnings growth through much of the decade, with a key role played by its fast-growing financial services operation, which invested heavily in property and leveraged buy-outs.

But, in 1990, the financial services bubble burst as US property prices collapsed and many of Westinghouse's investments were exposed as highly speculative.

Over the past two years the company had already taken some $2.8bn of write-offs in its financial services arm, and the Westinghouse strategy was to run the property portfolio down over five years.

But Wall Street concern over its property exposure prompted a crisis of financial confidence. Credit rating agencies kept down-grading its debt, which shut it out of the commercial paper market and made it dependent on a depleting line of bank credit. No longer could Mr Lego tough it out.

The result will be a fourth-quarter pre-tax charge of $2.65bn for losses in financial services and the cost of running the division until its assets can be sold off.

Westinghouse will partly offset this through the sale, for an expected $800m, of four businesses: Westinghouse Electric Supply, which distributes electrical products; Westinghouse Communities, a property developer; Knoll International, which makes office furniture; and its distribution and control business, a supplier to the construction industry.

Westinghouse's size will be cut by about one-third, with revenues dropping from $12.8bn last year to about $8.4bn.

Mr Lego says the company will focus on five businesses: electronic control systems; environmental systems; electrical generating equipment; cooling equipment for trucks; and broadcasting.

However, Wall Street analysts and dissident shareholders say this leaves three major question marks over the future of the company:

● How good is management? Mr Lego been much criticised by some shareholders for an isolated management style and being too fond of blaming economic circumstances for the company's problems.

But Ms Minow says: "Inside Westinghouse I think there is a company Mr Lego can do a superb job with."

Mr Lego has now created an eight-man management committee and a four-member president's office. But critics say there is no fresh blood.

● Does the shake-up go far enough? With many Westinghouse businesses in sectors which move with the economy, analysts say more fat must go.

● How should it improve its corporate governance? Some institutions have been gunning for Westinghouse since the company pushed through fat executive pay increases at the start of 1991, just before a huge property related write-off.

Proposals for next year's annual meeting include ending the company's anti-takeover poison pill, tying compensation more to performance, and splitting the job of chief executive and chairman.

It has not been lost on shareholders that the board is advised by Mr Ira Millstein, a New York attorney who advised the General Motors board last April, when it staged a coup. But for now there are no signs of such drastic action in Pittsburgh.

Bank of Montreal held to 7.5% increase

By Bernard Simon

A SHARP increase in provisions for sour property and mining loans held Bank of Montreal to a 7.5 per cent rise in net earnings and a slight drop in return on equity for the year ended October 1992.

BMO, which is the first of Canada's big banks to report fiscal 1992 results, posted net income of C$639.6m (US$507.6m), or C$4.76 a share, up from C$595m, or C$4.63, in fiscal 1991. Fourth-quarter earnings dipped to C$159.7m, or C$1.17, from C$175.9m, or C$1.35.

Loan losses for the year are estimated at C$550m, up from C$337m.

Non-performing loans jumped to C$2.2bn on October 31 from C$1.3bn a year earlier, due largely to the classification of what the bank described as three large real estate accounts, including Olympia & York, as non-accrual.

The bank said that the higher loan losses were offset by increased market share and higher productivity. Non-interest expenses rose by 6 per cent, but this included a 21 per cent rise in various government levies.

BMO has gained a name over the past two years as being the first Canadian bank to announce cuts in its prime lending rate.

Total assets stood at C$109bn on October 31.

● DEN Danske Bank, Denmark's largest bank, was downgraded by Standard & Poor's, the US credit rating agency, because of high loan losses and a large exposure to Denmark's troubled insurance groups, writes Hilary Barnes in Copenhagen

The rating on the bank's senior long-term debt and certificates of deposit went from A plus to A and a $150m subordinated note issue went from A minus to BBB plus.

Boeing cuts airline production

By Nikki Tait in New York

BOEING, the US aerospace company, plans to reduce the production rate for the 757 and 767 aircraft, two of its commercial airline models, with the loss of about 2,500 jobs next year.

The group put the blame on the soft market for new aircraft. "Our customers' delivery needs are changing as a result of the difficult time many of them are having," said Mr Dean Thornton, president of Boeing's commercial airplane group. "We are adjusting our rates to meet their needs."

Many of the world's airlines have been making losses, and the large aircraft US industry, battling against overcapacity and severe fare wars, has lost over $7bn during the past three years. Boeing did not attribute the production cutbacks to any particular order change, but said they reflected "the cumulative recent requests of a number of our customers for changes in their delivery streams".

Under the new production programme, Boeing will reduce the 757 production rate from 8.5 airplanes a month, to seven a month in June 1993, and then cut this to five a month in November 1993. The company, which stepped up the production rate of 757s from seven a month last January, had planned to push the rate back to this level in September 1993.

Meanwhile, the rate for 767s will be trimmed from five a month to four a month in November 1993.

Boeing said that the changes to the production schedule would probably mean the loss of 5,000 jobs on the West Coast and about 500 in Wichita, Kansas. Boeing is expected to have reduced its Seattle workforce by about 6,500 people this year. The company currently employs about 84,000 people in its commercial airplane division, and some 134,000 people worldwide.

● Boeing's commercial airplane unit said it has no plans to alter production levels on its 737 or 747-400 jumbo jet, but it was talking with customers on possible changes in deliveries.

Bethlehem Steel plans sale of wire division

By Karen Zagor in New York

BETHLEHEM Steel, the second biggest US steel group, has signed a letter of intent to sell most of its bar, rod and wire operations to Ispat Mexicana, a member of the Calcutta-based Ispat Group.

Under the terms of the deal, Ispat will acquire the entire operations apart from the Johnstown wire mill, which Bethlehem has agreed to sell to TMB Industries of Chicago.

Bethlehem said Ispat planned to follow a modernisation programme which would essentially follow Bethlehem's earlier plans, including installing a continuous caster and a rod block at the local plant to increase efficiency and production capability. Terms of the deal were not disclosed.

The bar, rod and wire operations bring in less than 10 per cent of Bethlehem's annual sales of roughly $4bn.

Bethlehem said most of the bar, rod and wire operations were being sold as a unit to preserve as many jobs as possible.

SHL reduces loss to C$9.5m

By Robert Gibbens in Montreal

SHL Systemhouse, a fast-growing North American systems integrator, reduced its losses sharply in the year ended August 31 as revenues rose 7 per cent to C$739m (US$586.5m).

The $9.5m net loss, equal to 25 cents a share, included a $6.4m special charge for discontinuation of the company's alliance with BCE, Canada's biggest telecommunications group.

A year earlier, the loss was $19.9m.

Peru in talks with US banks

PERU has taken an important step towards settling a series of US lawsuits filed by international bank creditors more than two years ago, paving the way for restructuring about $10bn of outstanding external debt and interest, writes Alan Friedman in New York.

The lawsuits, launched by more than 200 banks, and seeking to recover more than $2bn of debts, were filed to meet a US statute of limitations deadline.

Citibank, which chairs Peru's debt advisory committee, this week announced an agreement under which the banks would withdraw their lawsuits if the Peruvian government dropped its concerns about the statute of limitations on legal claims by the creditor banks. Both sides said they would try to resolve the dispute by next April 15.

NEWS IN BRIEF

● The Walt Disney Company, the entertainment group, and Nestlé, the Swiss-based foods company, are to enter a long-term alliance for licensing, sponsorship and marketing purposes. The new accord, which marks the latest development in an expanding international partnership, calls for Nestlé to sponsor a pavillion at Disney's Epcot Center in Florida as well as a sponsor at Disneyland Park and the Walt Disney World Resort.

● Upjohn, the US drugs group, said it was informed by the US Food and Drug Administration that after a year-long probe, the agency has determined that no further action is warranted regarding the Upjohn drug Halcion, Reuter reports.

Big Blue recants its mainframe heresies

Louise Kehoe explains why IBM is placing new emphasis on 'client-server' computing

CHANGE has become the only constant at the "New International Business Machines", as the computer giant overhauls its operations, cuts its workforce and transforms itself into a decentralised "federation of autonomous businesses".

The announcement this week that it is forming a business unit to focus on "client-server" computing – in which mainframe computers are replaced by networks of desktop computers and "servers" providing services, information and software – is, however, seen by some as the most fundamental shift to date.

With its new emphasis on client-server computing, IBM has thrown out one of its most sacred tenets; the belief that the computing world revolves around the mainframe.

For IBM, known in the industry as "Big Blue", this is akin to the Catholic church's recent decision to recognise publicly the work of Galileo.

Like the church, IBM has long privately acknowledged the truth of the matter: the mainframe is not the centre of the computer universe but merely one of many planets.

However, by announcing an initiative to promote client-server computing, IBM has for the first time publicly put the mainframe in its proper place.

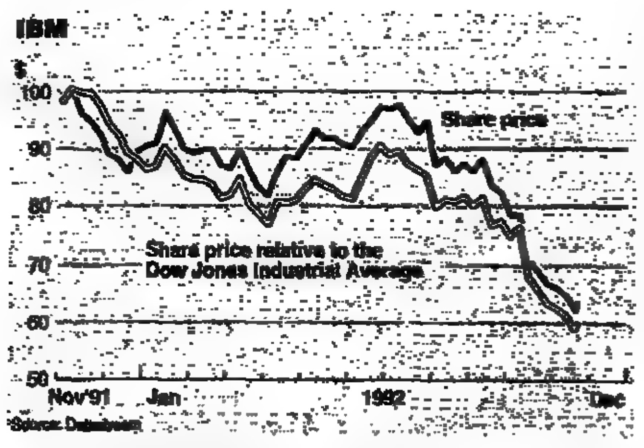
"The mainframe may or may not fit in. It does not have a pre-ordained role in every client-server system," says Mr Jack Kuehler, IBM president.

The new emphasis on client-server computing does not mean, however, that IBM has abandoned its mainframe strategy. "This does not represent a shift away from the mainframe," Mr Kuehler is quick to point out.

He does not accept the notion that the "mainframe is dead", as some of IBM's competitors would like computer users to believe.

But rather than risk losing customers who decided to swap mainframe computers for networks of workstations or PCs, IBM will now offer systems integration services and software to help them move towards the new computing model.

"We see this as an important growth opportunity," says Mr Kuehler.



The new IBM division will focus on helping customers to "migrate" toward client-server computing – finding ways to link different types of computers and optimise their performance.

The client-server computing unit will work with IBM's existing business units, such as those that make PCs, mid-range computers and mainframes, to design customised client-server systems for clients.

This may involve assembling hardware and software products from several IBM businesses, or looking outside IBM to third-party suppliers.

As a last resort, the new business unit may develop "glue" software needed to put together client-server systems.

Although the new unit is designed to focus IBM's client-server products and strategies, this does not signal a reversal of the company's move to decentralise management, Mr Kuehler said.

Putting together a complex client-server system using existing computers as well as new hardware and software "transcends what IBM's individual lines of business can do", he explains.

The new unit will not, however, try to dictate product strategies to IBM's newly independent product-line business units.

Nor will it attempt to establish standard computing models, as IBM has in the past.

Instead, IBM views the new unit as a marketing support effort that will help to boost sales of services and software as well as the hardware provided primarily by the company's product groups.

IBM's pragmatism reflects the computer giant's renewed efforts to respond more rapidly to changes in the computer market and improve its financial performance.

One measure of IBM's determination is that the new business unit was first proposed only five weeks ago at a bi-annual meeting of executives from all of IBM's business units.

"That is how fast we move in the 'New IBM'," Mr Kuehler boasts.

Coles Myer forced to adjourn its AGM

By Kevin Brown in Sydney

SHAREHOLDERS in Coles Myer, Australia's biggest retailing group, yesterday adjourned the annual meeting after a dispute between the board and dissident shareholders over directors' financial interests.

The move followed a confrontation between Mr Solomon Lew, chairman, and Mr Laurence Gruzman, a Sydney barrister, who had sought details of transactions involving Mr Lew's private business interests and those of other directors.

Mr Peter Bartels, chief executive, said the board needed time to prepare an audited addendum to the group's accounts which would clarify a statement on directors' interests released to the Australian Stock Exchange.

The statement, which followed a campaign by Mr Gruzman and the Australian Shareholders' Association, revealed that Coles Myer paid A$176m (US$120.25m) last year to companies associated with directors. It said the payments represented less than 1 per cent of the group's expenditure on goods and services, and were carefully monitored by independent auditors.

The statement said the "inference behind the questions" represented "a calculated and deliberate slur on the character and integrity" of the company, its management and its professional advisers.

Mr Bartels said the decision to adjourn the meeting was not an admission that the board had acted incorrectly.

The group said a special meeting would be scheduled before the end of the year after the addendum had been distributed.

Before the adjournment, Mr Lew said first-quarter profits were ahead of last year's results. "We are confident that ... we will outperform our previous year's results," he said. Coles Myer reported net profits of A$370m for the year to July 26, compared with A$368m the previous year.

TDK slips 34.5% as electronics markets remain depressed

By Steven Butler in Tokyo

TDK, the world's largest manufacturer of magnetic tapes, yesterday reported a 34.5 per cent drop to Y18.17bn ($146.53m) in consolidated pre-tax profits in the half-year to September, reflecting broad weakness in electronics markets.

Sales at the Tokyo-based company fell 2.1 per cent to Y266.1bn, led by a 5.3 per cent decline in sales of electronic materials and components to Y182.7bn.

TDK said that overseas demand from the automobile and computer industries was strong.

However, sales had been hit by declining demand from manufacturers of audio and video equipment.

The company said it had successfully increased sales to the computer industry of products such as semiconductors and magnetic heads for hard disc drives, metal magnets, and chip capacitors.

TDK also managed to increase sales of magnetic recording media, such as tapes and floppy disks, by 5.7 per cent to Y83.38bn.

Sales outside Japan grew by 1.8 per cent to Y139,977 in spite of the rise in the value of the yen, accounting for 52.6 per cent of sales.

Net earnings fell by 23.9 per cent to Y10.1bn.

On a parent company basis, TDK's results were much worse, with pre-tax profits down by 47.6 per cent to Y11.4bn.

The weaker parent company figures reflect the softness of domestic Japanese demand, as well as a decline in exports to Europe following the start-up of operations at TDK's magnetic recording media factory in Luxembourg in October last year.

TDK said it had given up hope for a recovery in the second half of the year.

It added that it had lowered its projection for full-year parent-company pre-tax profits to Y20bn, compared with Y33.4bn last year.

Macquarie confident after record first half

By Kevin Brown

MACQUARIE Bank, the privately-owned Australian banking and corporate advisory group, yesterday announced a 13.6 per cent increase in interim net profits to a record A$26.6m (US$18.2m) for the six months to the end of September.

The result contrasts sharply with big full-year losses announced last week by Westpac Banking Corporation and Australia and New Zealand Banking Group, two of Australia's biggest banks.

Macquarie said the improved result reflected better trading conditions, innovative products, and a reduction in write-offs against bad and doubtful debts to A$1.5m from A$2.7m in the comparable period of the previous year.

Mr Tony Berg, managing director, said the bank was confident the improved result would be repeated in the second half. "I am confident the economy is going through a slow recovery," he said.

Macquarie said total assets increased by 28.6 per cent to A$3.04bn, while group shareholders' funds rose to A$299m from A$272m at the end of the last full year in March. The bank said its emphasis on service and tailored banking products helped expand the branch-banking business. The property, capital markets, money market and corporate services divisions also performed well, although fixed interest profits were hit by difficult conditions in the government and semi-government bond market.

Santos takes 19.9% stake in Sagasco

By Kevin Brown

SANTOS, the Australian energy group, yesterday acquired a 19.9 per cent stake in Sagasco for A$107m (US$73.1m), confirming its interest in the company in spite of the withdrawal of a A$360m takeover offer. Santos bought 41m shares from the South Australian state government and institutions, and indicated it would seek "suitable" board representation.

The sale reduces the state government's holding in Sagasco to just over 51 per cent. The government put its stake up for sale in July, triggering a bid from Santos which was dropped after legal action by competition authorities. The case is expected to be heard in March.

Sentrachem agrees Australian purchase

By Philip Gawith in Johannesburg

SENTRACHEM, one of South Africa's largest chemical groups, has agreed the purchase of Australian chemical group Chemplex, controlled by Mr Kerry Packer.

The sale, which will only proceed subject to a strict due-diligence investigation, will be the latest in a series of offshore purchases by South African companies. These include the purchases of Hannover Papier by Sappi, the paper and pulp group; Henry Ansbacher by First National Bank; and the African banking interests of ANZ/Grindlays by the Standard Bank group.

No price has been made public for the deal, but Chemplex had sales last year in excess of A$200m (US$136.7m).

Mr John Job, Sentrachem's chief executive, said the company needed to diversify internationally rather than merely defend its high market share as South Africa opens up to international competition. The Australian base also provided access to the Pacific Rim market.

Chemplex makes styrene, while Sentrachem is South Africa's biggest user of the compound, with a significant portion of its sales styrene-based.

If the deal is concluded, less than half of the purchase price will be settled in financial rands – the volatile investment currency which has weakened considerably recently – with the balance being funded by loans.

Profits at Nippon Shinpan rise 9%

By Robert Thomson in Tokyo

NIPPON Shinpan, the Japanese consumer credit company, reported a 9 per cent increase in pre-tax profits to Y7.7bn ($62.1m) for the first half to end-September, in spite of the continuing rise in personal bankruptcies that has hurt other credit companies.

Operating revenues rose 3.4 per cent to Y181.5bn, reflecting the recent downturn in department store sales and the reluctance of consumers to purchase big ticket items such as cars and domestic appliances.

After-tax profits fell 37 per cent to Y2.2bn, following a Y1.8bn appraisal loss on securities holdings.

However, pre-tax profits were pushed up by lower interest rates, which reduced the group's repayment burden.

A telling sign of weak consumer demand was a 7 per cent fall to Y2,842.9bn in total contracts on credit cards, shopping loans and other items, ending a run of continuous increases since the company was listed in 1961.

For the full year, Nippon Shinpan expects pre-tax profits to rise 26 per cent to Y15bn, and operating revenues to advance to Y368bn from Y352bn last year.

● Minolta Camera, the Japanese camera and business machine manufacturer, is to sell 18,942 square metres of land to Matsushita Electric Works for Y5.68bn in order to repay loans built up when it paid Y13bn to Honeywell in 1991-92 for infringing patents, Reuter reports from Tokyo.

LEGAL NOTICES

NOTICE OF FIRST MEETING OF CREDITORS

Registered No: 1068734

Registered in England and Wales

CABRA MANAGEMENT SERVICES LIMITED

Principal place of business 4 [illegible] Street, Mayfair, London W1.

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a meeting of the creditors of the above named company will be held at Hillgate House, 26 Old Bailey, London EC4 on 27 November 1992 at 10 am for the purposes mentioned in Sections 99 to 101 of the said Act. A list of the names and addresses of the company's creditors may be inspected free of charge at St Andrew's House, 20 St Andrew Street, London EC4A 3AD between 10.00 am and 5.00 pm on 24 November 1992. Creditors wishing to vote at the meeting must (unless they are individual creditors attending in person) lodge their proxies at St Andrew's House, 20 St Andrew Street, London EC4 3AD no later than 12 noon on 26 November 1992.

Dated 13 November 1992

By order of the Board, E J Carter Director.

Notice of appointment of Administrative Receiver

IN THE MATTER OF SATURN CABLE COMMUNICATIONS LTD AND IN THE MATTER OF THE INSOLVENCY ACT 1986

Registered number: 1833456. Trading Name: SCC Saturn Cable Communications. Nature of Business: Communication installation. Trade classification: 32. Date of appointment of Administrative Receivers: 19 November 1992. Name of person appointing the Administrative Receivers: Midland Bank Plc. Antony S Thompson and Stephen S James Joint Administrative Receivers (office holder nos. 6413 and 2125). Aquis Court, 31 Fishpool Street, St Albans AL3 4RF.

PERSONAL

هكذا ضاع الأمل

Investors continue to move money into D-Mark bloc

By Sara Webb in London and Patrick Harverson in New York

ACTIVITY in the European government bond markets was again dominated by tensions within the European exchange

GOVERNMENT BONDS

rate mechanism, with investors continuing to shift money into the D-Mark bloc.

The strong demand for D-Mark assets pushed up German government bond prices yesterday, despite disappointing money supply figures for October which served to dash hopes of an imminent easing in German interest rates.

German M3 money supply grew at a seasonally adjusted annualised rate of 10.2 per cent in October – well up on the Bundesbank's target range of 3.5 to 5.5 per cent for 1992, and higher than September's figure of 9.3 per cent and 8.8 per cent for August.

While the market was disappointed with the money supply data, dealers pointed out that the figures were distorted as a result of heavy intervention in the foreign exchange markets during September's European currency crisis.

The Liffe bund futures contract, which opened at 91.47, traded in a range of 91.37 to 91.65 and ended towards the high of the day. Dealers said interest in the D-Mark bloc remained healthy as investors switched out of Danish and (to a lesser extent) French government bonds.

Germany's three coalition parties agreed a package of over DM12bn in extra public spending in eastern Germany yesterday. Mr Theo Waigel, finance minister, said that the spending would be financed by cuts elsewhere in the budget.

While the decision may help to prolong the life of the Treuhand privatisation agency, it is unlikely to mean heavier-than-forecast bond issuance, dealers said. The yield spread of Treuhand's bond issue over 10-year Federal bonds was unchanged.

Dutch government bonds benefited from the switch to the D-Mark bloc, ending the day higher. The 8.25 per cent bond due June 2002 was quoted yielding 7.40 per cent, against Monday's close of 7.46 per cent, while the 10-year Dutch-German yield spread slipped from 13 basis points to 3 basis points.

■ FRENCH government bonds ended the day firmer or little changed, despite another difficult day for the French franc in the foreign exchange markets. Dealers said there was some domestic buying of French government bonds at the lower price levels, which helped to support the market.

The 8½ per cent bond due 2002 ended with a yield of 8.26 per cent against its opening of 8.27 per cent. In the futures market, the Matif contract rose from 109.70 to 110.04.

■ ACTIVITY in the UK government bond market was dominated by the Bank of England's gilt auction announcement. The Bank plans to sell £2.5bn of a new 8 per cent gilt due 2003 on December 2 and the issue is expected to take over as the new 10-year benchmark bond.

Gilt prices closed higher across the yield curve with dealers reporting some limited foreign interest.

■ JAPANESE government bonds ended firmer in quiet trade, helped by slightly lower money market rates.

The yield on the benchmark No 145 opened at 4.645 per cent and moved to 4.615 per cent before closing at 4.625 per cent. The key unsecured overnight call rate was traded at 3¾ per cent, down from 3⅞ per cent on Friday.

The Ministry of Finance is expected to auction about Y800bn of 10-year bonds today. Dealers expect a coupon of 4.8 per cent, down from 5 per cent at the previous auction.

■ US Treasury prices were little changed yesterday morning, having recovered from modest early losses incurred in the wake of a much stronger-than-expected durable goods orders report.

By midday, the benchmark 30-year government bond was up ⅛ at 101, yielding 7.585 per cent.

The two-year note was slightly firmer at midsession, up ⅛ at 99⅞, to carry a yield of 4.658 per cent.

Prices eased slightly after the Commerce department reported that durable goods orders jumped 3.9 per cent in October, a much larger increase than analysts had expected.

The goods orders figures, however, are a notoriously unreliable indicator of economic conditions, which explained why the bond market did not react particularly badly to the data.

The market also held up well on the day's other piece of good economic news – a big increase in the Conference Board's index of consumer confidence, which rose from 54.6 in October to 65.5 in November. Dealers who had expected prices to drop after the confidence report were quickly forced to buy securities to cover their short positions, which added to the market's firmness.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.6591	+0.656	8.78	8.80	8.82
BELGIUM		8.750	06/02	104.7500	+0.160	8.01	8.12	8.14
CANADA *		8.500	04/02	102.3000	+0.600	8.14	8.13	7.90
DENMARK		8.000	11/00	99.1250	-0.400	9.16	8.70	8.87
FRANCE	BTAN	8.500	05/97	100.8250	-0.036	8.21	8.02	8.11
	OAT	8.500	11/02	101.8500	-0.105	8.25	8.10	8.18
GERMANY		8.000	07/02	104.5600	+0.120	7.32	7.43	7.31
ITALY		12.000	05/02	94.0850	-0.190	13.64†	13.26	13.94
JAPAN	No 119	4.800	06/99	101.4445	-0.158	4.51	4.61	4.68
	No 145	5.500	03/02	105.7950	+0.206	4.62	4.80	4.75
NETHERLANDS		8.250	06/02	105.6100	+0.330	7.40	7.56	7.57
SPAIN		10.300	06/02	87.5500	+0.900	12.58	12.41	12.32
UK GILTS		10.000	11/96	109-17	+2/32	7.18	7.17	7.16
		8.750	08/97	103-04	+8/32	8.36	8.37	8.23
		9.000	10/08	102-15	+9/32	8.68	8.72	8.82
US TREASURY *		6.375	08/02	98-22	+0/32	6.56	6.66	6.77
		7.625	11/22	100-03	-3/32	7.55	7.58	7.60
ECU (French Govt)		8.500	03/02	97.7750	+0.105	8.85	8.70	8.71

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

FT FIXED INTEREST INDICES

	Nov 24	Nov 23	Nov 20	Nov 19	Nov 18	Year ago	High*	Low*
Govt Secs (UK)	94.08	93.83	93.96	94.05	94.06	85.78	95.54	85.11
Fixed Interest	108.90	108.80	108.82	108.86	109.01	95.44	110.26	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 110.26 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Nov 23	Nov 20	Nov 19	Nov 18	Nov 17
Gilt Edged Bargains	141.6	158.9	158.5	173.1	185.3
5-Day average	163.7	172.5	183.4	214.2	238.8

* SE activity indices rebased 1974

BIS warns banks over growth in derivatives trading

By Richard Waters

THE growth of trading in derivatives markets has made it impossible even for experienced financial analysts to gauge a bank's health from its published accounts, the general manager of the Bank for International Settlements warned yesterday.

Pointing to the lack of transparency which has resulted from the growth of derivatives and other off-balance sheet instruments, Mr Alexandre Lamfalussy said: "In turn this has rendered the nature and distribution of risks in financial market operations much more opaque."

Following hard on the heels of the BIS's Promisel report earlier this month on banks' involvement in the derivatives markets, Mr Lamfalussy's comments mark renewed attempts by the central bankers' club to focus regulatory attention on what has become a major area of many banks' business.

Mr Lamfalussy, who was speaking at a conference in London, called for all banks to disclose their off-balance sheet risks "in a reasonably standardised way."

He acknowledged, though, that this would need "very careful thought" over how risks should be measured. Assumptions about market volatility, for instance, need to be reassessed, following upheaval in financial markets in September.

The events of September had also exposed weaknesses in banks' risk management systems, he said.

"I have the impression that some of the volatilities experienced a couple of months ago were of a scale which were not incorporated in the models and may have therefore led to an unexpected erosion of liquidity in some of the markets."

Mr Lamfalussy also called for better statistical data on activity in particular derivative markets.

In an apparent allusion to the possibility of future crises in derivatives markets, Mr Lamfalussy said that the availability of data on banks' cross-border exposures in 1982 made the handling of the Mexican debt crisis easier.

"Data collection, however distasteful for those who would have to supply and collect the figures, seems to me unavoidable, but only after a careful definition of what we want to measure," Mr Lamfalussy said.

Olympus Optical equity warrants issue well received

By Brian Bollen

SUPPLY and demand are coming back into line in the Japanese equity warrants sector of the international bond markets. Yesterday's new

INTERNATIONAL BONDS

issues confirm that the downward trend in coupons in this niche of the market, which had been lagging upward movements in short-term US interest rates and affecting demand, seems to have been reversed.

Coupons are now being set at around 2¼ per cent, compared with the levels of 1.5 per cent seen a month or so ago. Olympus Optical's $400m issue, the biggest dollar equity warrants deal for almost two years, went well according to lead-manager Yamaichi International. Traders said that while the name and the price were right, the issue size might hit trading performance.

The pick up in equity warrants activity in November looks like continuing, according to bankers, who say the market has the capacity to absorb more issues. Yamaichi International is expected to launch two other dollar equity warrants issues today, for Matsushita Denko which will be looking for $400m, and Nishimatsu Construction, which wants $100m. Nippon Express is also expected to tap the market, for $400m, possibly through Nomura International.

The Swiss franc sector of the market is also about to see some more big deals, following those by Daiwa House Industry and Mitsubishi Oil which were launched in mid-November. Sumitomo Rubber is expected to raise SFr200m today, while Sharp is lined up for a SFr500m issue at the start of December. This will equal the biggest previous equity warrants issue by a Japanese company, which was by Kanebo in March 1989.

Among the day's other new issues, LTCB International leapt to defend the Inter-American Development Bank's Y50bn five-year bond against widespread allegations of mispricing. LTCB argued that while the terms looked aggressive in Europe, this was because the Euroyen market lagged behind a rally in the domestic yen market after pricing took place. LTCB said it was keeping the syndicate closed to allow co-lead managers the opportunity to sell into the far east where it had found demand.

The Nomura International-led Y30bn issue was a done deal targetted at domestic Japanese institutions. From the issuer's point of view, Euroyen borrowing is cheaper and the issuing process simpler than for domestic borrowing.

Half of the FFr2.6bn domestic issue from Société Nationale des Chemins de Fer will be syndicated internationally, said Société Generale, one of the book runners. UBS Phillips & Drew reopened an existing $100m 10-year collared floater for Rabobank Nederland, adding a further $50m to meet investor demand.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Olympus Optical Co(a)♦	400	2¼	100	1996	2¼/1½	Yamaichi Intl. Europe
Yaohan Japan Corp(b)♦	100	2¼	100	1996	2¼/1½	Nomura Intl.
Eagle 4 Ltd†	121.6	(c)	100	1998	1⅞	Daiwa Europe
Rabobank Nederland(d)†	50	(d)	99¾	2002	50/20	UBS P&D Secs.
D-MARKS						
African Dev. Bank(e)	300	7½	101.95	1997	2⅛/1⅞	DG Bank
YEN						
Japan Airlines Co.	30bn	5.8	101.90	2003	2/1.6	Nomura Intl.
IADB	50bn	4½	99.728	1997	25/15	LTCB Intl.
SWISS FRANCS						
City of Copenhagen	100	6⅛	101¼	2000	-	UBS

Final terms and non-callable unless stated. ☆☆Private placement. ♦With equity warrants. †Floating rate note. a) Final Terms fixed on the 1/12/1992. b) Final Terms fixed on the 2/12/1992. c) Coupon pays 6 month Libor plus 80bp. d) Fungible with existing 100m issue. Coupon pays 6 month Libor minus 25bp. Minimum coupon 6%, Maximum 8¼%. e) Issued 23/11/1992, priced 24/11/1992.

Greece prepares first issue of sterling-linked bonds

THE Republic of Greece is preparing its first issue of sterling-linked drachma-bonds for launch in mid-December. The issue is the latest in a series of foreign currency-linked bonds designed to attract foreign investors, writes Tracy Corrigan. This week, the Greek government is launching a second issue of DM and dollar-linked bonds maturing in one, three and five years. The subscription period runs today and Thursday. The government is also considering a yen-linked issue in the new year, Mr Peter Doukas, deputy minister of finance, said.

While the bulk of Greece's debt is concentrated in the domestic market, most of it is short-dated. The foreign currency-linked structure has allowed the republic to extend the maturity profile of its debt.

The withholding tax-free, bearer bonds are denominated in drachma, but the interest and principal payments are indexed to the foreign currency. Although Greece is a member of the European Community, the drachma is outside the exchange rate mechanism.

● Greece has increased the yields on its three-month Treasury bills by 1¼ per cent to 19¾ per cent and the yields on its six and 12-month bills by 1¼ per cent to 21¼ per cent and 23 per cent.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 24

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	48	9	13
Other Fixed Interest	9	2	4
Commercial, Industrial	210	261	930
Financial & Property	138	127	536
Oil & Gas	12	21	51
Plantations	2	2	5
Mines	24	32	88
Others	31	46	38
Totals	474	531	1,665

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renun. Date	1992 High	1992 Low	Stock	Closing Price p	+or-	Net Div.	Times Covd.	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renun. Date	1992 High	1992 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renun. Date	1992 High	1992 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

TRADITIONAL OPTIONS

● First Dealings Nov. 23
● Last Dealings Dec. 4
● Last Declarations Feb. 25
● For settlement March 8

3-month call rate indications are shown in Saturday editions. Calls in Bellwether, Birse, British Petroleum, Fenner, Gestetner and Regalian Props. Put in Tiphook.

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1992. All rights reserved.

The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries. © The Financial Times Limited 1992. All rights reserved.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

"FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

LIFFE EQUITY OPTIONS

Option	Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

November 24 Total Contracts 25,972. Calls 14,650 Puts 11,322. FT-SE Index Calls 1,631 Puts 3,118. Euro FT-SE Calls 119 Puts 2,954. *Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Tue Nov 24	Day's change %	Mon Nov 23	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	128.70	+0.04	128.65	2.31	10.99
2	5-15 years (25)	145.84	+0.17	145.59	2.56	11.85
3	Over 15 years (8)	152.75	+0.29	152.31	2.79	10.57
4	Irredeemables (6)	171.07	+0.51	170.21	0.99	13.45
5	All stocks (61)	142.44	+0.14	142.24	2.52	11.64
	Index-Linked					
6	Up to 5 years (2)	184.25	-	184.26	0.58	3.68
7	Over 5 years (10)	167.03	-0.04	167.11	1.18	4.04
8	All stocks (12)	168.15	-0.04	168.21	1.10	3.96
9	Debs & Loans (62)	123.41	+0.19	123.18	2.66	10.48

AVERAGE GROSS REDEMPTION YIELDS

			Tue Nov 24	Mon Nov 23	Year ago (approx.)
	British Government				
1	Low	5 years	7.06	7.11	8.88
2	Coupons	15 years	8.21	8.25	9.69
3	(0%-7¾%)	20 years	8.41	8.52	9.69
4	Medium	5 years	7.44	7.45	10.02
5	Coupons	15 years	8.69	8.72	9.83
6	(8%-10¾%)	20 years	8.87	8.91	9.78
7	High	5 years	7.66	7.67	10.23
8	Coupons	15 years	8.99	9.03	9.93
9	(11%-)	20 years	9.07	9.11	9.84
10	Irredeemables (Flat Yield)		8.84	8.90	9.86
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.40	2.39	3.87
12	Inflation rate 5%	Over 5 yrs.	3.79	3.78	4.28
13	Inflation rate 10%	Up to 5yrs.	1.58	1.57	3.22
14	Inflation rate 10%	Over 5 yrs.	3.60	3.60	4.10
15	Debs &	5 years	9.85	9.85	11.58
16	Loans	15 years	9.89	9.91	11.40
17		25 years	10.08	10.10	11.21

Plenty of rooom seen for growth in increasingly competitive market place

Argyll shows 15% advance to £205m

By Maggie Urry

ARGYLL GROUP, the Safeway, Presto and Lo-Cost food retailer, raised interim pre-tax profits by 15 per cent from £178m to £205m – at the top end of analysts' expectations.

The shares fell 8p to 365p as investors took profits.

Sir Alistair Grant, chairman, said there was still a lot of growth left in the food retail sector, although it was an "increasingly competitive marketplace."

The group expects "another year of pleasing profit growth," subject to satisfactory trading at Christmas.

The interim dividend is increased to 3.55p (3.2p) on earnings per share of 13.3p (12.1p).

Sales in the 28 weeks to October 10 rose 6 per cent to £2.84bn (£2.68bn), though the rise was about 8 per cent excluding businesses sold last year.

Operating profits were 13 per cent higher at £183m (£162m), with the margin on sales excluding VAT rising from 6.4 to 6.8 per cent.

Interest receivable rose by £6m to £22.3m. The pre-tax figure included a loss of £400,000 on property, compared to a profit of £2m.

Safeway accounted for 79 per cent of sales and 85 per cent of operating profits. These proportions have grown from 37 and 39 per cent respectively since its acquisition in 1987.

In the half year, Safeway sales rose 10 per cent to £2.3bn. Of this increase 7.3 percentage points came from new stores. In comparable stores 2.1 percentage points were accounted for by inflation and the other 1 point by added volume.

Operating profits from Safeway rose by 21 per cent to £155m (£128m), and the margin from 6.6 per cent to 7.3 per cent.

Selling area has increasing from 2m sq ft in 1987 to a projected 7m by next March. Eight new stores opened in the first half and a further 18 are due in the second half.

Tony Andrews

Sir Alistair Grant: aim to build a few 'blockbuster' stores a year

Mr David Webster, deputy chairman, said Safeway stores under 20,000 sq ft achieved a margin of 6.6 per cent, while the larger ones achieved 7.9 per cent. The smaller stores were mainly older ones, and were thought to be substantially lower than Safeway's main rivals. Sir Alistair said the aim was to build a few "blockbuster" stores each year, costing substantially more than the average.

Argyll is paying an average of £3.4m for a site, rising to an expected £5.8m in the next financial year. But it recently bought a site in Edinburgh at a price estimated by some at £30m.

While expansion of the Safeway chain would continue, investment was being stepped up in Presto and Lo-Cost stores, Sir Alistair said.

Group capital expenditure was £226m in the first half and a figure of £500m is forecast for the year, rising to £550m in 1993-94, likely to be the peak year in real terms.

The balance sheet had net cash of £179.5m at the half year end, after an outflow of £20m. Mr Colin Smith, finance director, said there would be net debt of about £50m by the March year end.

thus making a good return on capital.

Stores being built would cost an average of £13.3m each in the current year, although this would rise to £16.3m the following year.

These investments are

See Lex

Refinancing planned for HunterPrint as loss grows

By Peggy Hollinger

HUNTERPRINT, the troubled specialist printer which ousted Sir Ian MacGregor as its chairman in August, has called on investors for the second time in two years to fund a rescue cash injection.

The call came as the group revealed almost doubled pre-tax losses, after exceptionals, of £12.2m for the year to September 27.

The group announced a £20m placing and offer to cut debt and a financial reorganisation to eliminate its onerous lease obligations dating from a £34m investment in a printing factory at Corby, Northamptonshire, in 1988.

It has also agreed a £5.2m convertible preference issue to creditors and a capital reorganisation to allow the payment of dividends. Finally, new banking facilities of £14.9m have been agreed with Barclays Bank.

The company yesterday warned shareholders that if the plans were not approved, HunterPrint's directors believed the group would "not be able to continue trading".

Mr Tony Caplin, chief executive, said the cash call was not a sign that the management installed two years ago had failed to turn the company round. "Our order books are extremely strong," he said. "Management has done everything right. They have just run out of cash."

HunterPrint, which was on the brink of collapse in 1990 when it raised £13.6m in a share issue, has now offered investors one for every 10 shares held at a placing price of 50p to raise a net £18.3m.

The placing follows a proposed capital reorganisation to consolidate every 10 existing shares into one with a nominal value of 50p. The shares will be split into one ordinary of 15p, which will carry the voting rights, and one deferred of 35p. Last night the shares closed ½p down at 5½p.

Out of the placing proceeds, £15.8m in cash will be used to pay lessors of printing equipment, which along with the £5.2m convertible preferences would eliminate HunterPrint's £36m lease obligations. The lessors have also agreed to take up to £3.9m of the placing shares. The new shares will represent some 89 per cent of the enlarged equity.

Mr Caplin said the company was expected to return a profit in the current year and it expected to pay a dividend for the first time since 1989.

The increased losses of £12.2m (£6.3m) this time were after a £3.8m exceptional charge. The largest element of the charge was a £6.1m provision for the write-down of fixed assets and £1.7m of costs for the refinancing. This was partially offset by the estimated £5.8m gain on restructuring the leases.

Sales rose to £52.2m (£49.6m), while trading losses were cut to £5.1m (£7.25m). Losses were 6.8p (4.2p).

has HunterPrint has paid Sir Ian MacGregor £285,000 in compensation for loss of office and a further £35,000 for fees and legal expenses.

National Express share offer price fixed at 165p

By Richard Tomkins, Transport Correspondent

NATIONAL Express, Britain's biggest scheduled coach service operator, yesterday priced its share placing and offer for sale that will take the company to the stock market with a capitalisation of £59.4m.

Some 27.8m shares are being sold at 165p each, raising £45.9m. Of this, £25.6m is new money being raised by the company and the remaining £20.3m represents stock being sold by existing shareholders, mainly the company's venture capital backers.

National Express, once part of the state-owned National Bus Company, was privatised through a management buy-out in 1988.

It changed hands again for just £10m last year when Mr Ray McEnhill and Mr Adam Mills, now chief executive and finance director respectively, took control through a management buy-in.

The increase in the value is based on a turnround from pre-tax losses of £1.2m in 1991 to a forecast pre-tax profit of £8.5m for the 53 weeks to January 2 1993.

The offer price represents 10 times forecast earnings per share. The notional dividend for the year would have been 7.12p, yielding 5.75 per cent.

All the shares to be sold are being placed with institutional and other investors, but a quarter of them will be made available to the public through an offer for sale.

Mini-prospectuses are being handed out to passengers and the company's advisers say that more than 7,500 people have dialled a help-line to ask for information.

Morgan Grenfell, the merchant bank, is sponsor to the issue and Smith New Court is broker. The offer closes at 10am on December 1, with dealings expected to begin on December 10.

COMMENT

A share in National Express could prove a one-way ticket to a not particularly inviting destination. Coach travel's share of the long-distance passenger transport market is already small, and the combination of rising car ownership and worsening road traffic congestion will do little to slow its further decline. National Express could notionally buck the trend by expanding within the coach travel market, but that may not be easy with the Office of Fair Trading breathing down its neck; and with the OFT promising a visit in any case next year, even making much more money out of existing operations could have its hazards. Profits have an air of fragility about them, representing as they do the difference between what the company can wring out of its low budget passengers and what it must pay the contractors who run some of its coach services. In the longer term, meanwhile, the privatisation of British Rail, presented by the company as an opportunity, could just as easily become a threat if it fulfils the government's ambitions of introducing entrepreneurialism to the railways. That said, a healthy subscription to the offer seems likely if enough National Express passengers mistake the company's share offer for a privatisation, and the unambitious pricing makes sufficient concessions to the downside to hold out the prospect of a modestly successful debut.

NSM cuts deficit to £1.16m

By Roland Rudd

LOWER UK interest rates and the sale of non-core businesses helped NSM, the heavily-indebted international coal mining group, reduce its loss before tax from £1.37m to £1.16m in the half-year to September 30.

Operating profits fell to £3.6m (£4.81m) on lower sales of £56.8m (£90.7m) reflecting the sale of its Bison building materials arm and the closure of the building division.

Further disposals are planned. These include air-conditioning and plastics companies and property, valued at more than £30m.

About two thirds of operating profits are generated from the sale of UK coal, mostly to the two generators, National Power and PowerGen.

Mr John Jermine, chief executive, is lobbying ministers to proceed with the privatisation of British Coal, which he believes would end the current limit on private contractors of 250,000 tonnes per site.

He also expects that privatisation will lead to a reduction in the £5 a tonne royalty payment to British Coal.

NSM currently sells its coal for an average of £21 per tonne.

Mr Jermine said: "The government has got to pull its finger out and end the uncertainty in the industry. We hope it will press on with the privatisation of British Coal while ending coal imports and the subsidy to the nuclear industry."

Interest charges dropped by 28 per cent to £4.77m (£6.18m) despite borrowings rising to £94m (£88m) because of £8m of capital expenditure on a US deep-mine commissioned in May.

Another £4m of capital expenditure is earmarked for the next half year on another US deep-mine.

The company hopes that its US deep-mine operations in Pennsylvania will match the annual £1.8m tonnes generated by its US opencast production.

Borrowings are expected to fall to £85m by the end of March because of further disposals.

An extraordinary item of £813,000 reflected the write-off of goodwill on businesses sold.

Losses per share were reduced from 6.1p to 5.8p.

Hoare Govett seeks £50m for small companies trust

By Philip Coggan, Personal Finance Editor

HOARE GOVETT is attempting to raise £50m for an investment trust which will track its smaller companies index.

A total of 50m shares at 100p each are available via a combined offer for subscription and placing. Firm commitments to apply for 19.74m shares have already been received.

The extended Hoare Govett Smaller Companies Index (excluding investment trusts) contained 1,377 companies at the start of 1992 and was capitalised at about £45bn. The index then included companies with a market capitalisation of £216m or less.

The Hoare Govett Smaller Companies Index Investment Trust will own shares in more than 200 companies, with no individual stock likely to comprise more than 3 per cent of its portfolio. It will aim to match the performance of the index in both capital and dividend yield terms. The manager will be Broadgate Investment Management, a subsidiary of Hoare Govett, which will charge an annual fee of 1 per cent.

The "smaller company effect" was widely trumpeted in the 1980s, with Hoare Govett noting that its index had substantially outperformed the FT-A All-Share Index over the period since 1955.

However, the recession has hit smaller companies particularly hard and Hoare's index underperformed the All-Share in each of the years from 1989 to 1991 (and to date in 1992). This has been the first time since 1955 in which smaller companies underperformed for three successive calendar years.

Expenses of the offer will be 4.6 per cent if the minimum of £25m is raised and 4.2 per cent at the maximum of £50m. Applications for a minimum of 1,000 shares must be made by December 7, with dealings expected to start on December 14.

Bristol Water

Bristol Water Holdings has paid £400,000 cash for Walter Lawrence Civil and Mechanical, a civil and mechanical engineering contractor.

Lower interest rates depress growth at Lowndes Lambert

By Richard Lapper

LOWER INTEREST rates restricted growth of pre-tax profits at Lowndes Lambert, the insurance broker, from £4.01m to £4.24m in the six months to September 30.

Interest receivable fell to £1.81m (£2.78m), mainly because of lower rates.

Lowndes, which listed its shares on the Stock Exchange last year, increased earnings per share to 10.9p (10.4p) and the interim dividend to 4.5p (4.3p), helping push its shares up 11p to close at 300p.

Mr Richard Shaw, chairman, said good progress was made "despite the hostile economic climate, both for UK-based activities and most of our overseas subsidiaries."

The group reported an increase in brokerage fees and commissions to £25m (£23.6m). Growth was particularly strong in the UK, where brokerage income expanded by 15 per cent.

Mr David Margrett, managing director, said rises in UK commercial insurance rates, which averaged between 15 and 20 per cent, over the last six to nine months had helped.

Although Lowndes saw reduced activity in its speciality business of providing professional indemnity cover for architects, it had increased its involvement in other professional areas.

Income from marine and aviation business advanced by 11 per cent on the back of hardening rates and greater market share.

Expenses rose from £23.2m to £24m, amounting to 96.2 per cent of brokerage compared to 98.5 per cent in the same period last year.

Share of associated companies' profits rose to £7.25m (£5.72m), partially reflecting the disposal of an investment by Lowndes' part-owned French subsidiary. Associated companies generated profits of £1.47m (£863,000).

Export prospects buoy Fairline Boats shares

By Matthew Curtin

SHARES OF Fairline Boats, the luxury yacht maker, yesterday rose from 175p to 197p as buoyant export prospects outweighed annual results well short of expectations.

The Peterborough-based group turned in a pre-tax loss of £507,000 for the 12 months to end-September, compared with profits of £3.02m last time. BZW, the company's broker, last month forecast a deficit of £250,000.

Losses per share worked through at 7p against earnings of 55.9p. The total dividend is halved from 21p to 10.5p with a final of 6.925p.

Mr Sam Newington, chairman, said: "We are budgeting for increased sales and a return to profit in the current six months, and if we meet our targets, we will be well set to restore the dividend".

The shares are well below their peak of 590p in October last year. Thereafter, signs that recession in the UK and Europe was catching up with the luxury boat trade, confirmed by the group's poor interim results in May, sent investors scuttling.

Sales fell 21 per cent to £27.7m (£35m), and although costs were contained, the company incurred an operating loss of £672,000 against a £2.59m profit.

Mr Newington said that export sales made up 63 per cent of business, but demand in France, Spain, Germany and Japan was weak.

However, the company had record order deposits of £1.9m (£888,000) at the end of October, with the value of the order book standing at £11.4m (£8.1m).

Mr Newington said sterling's devaluation would boost exports this year, but Fairline would also benefit from the year's "heavy investment" in new models: Squadron 62 (which sells for £620,000) and Squadron 55 (£414,000).

He said there was good demand from German customers, increased interest from Singapore, Hong Kong and Malaysia, and Fairline would exhibit at a boat fair in Dubai, when it could win back orders lost since the Gulf war.

It was still unclear how VAT would be implemented in Europe. In the past EC boat-owners could avoid paying VAT by buying in one country and berthing in another.

Waiting for the realistic opportunities

Andrew Bolger on Smiths Industries' assessment of the companies being offered in its diversification

TWO proposals a day – that is the rate at which offers of companies for sale have been flooding into Smiths Industries, the engineering group which is trying to diversify from its core aircraft avionics business.

However, Smiths has so far concluded relatively few deals, in spite of having more than £40m in ready cash, strongly cash-generative businesses and a high reputation in the City. It is anxious to compensate for the downturn in civilian and military aircraft by building its medical systems and industrial components businesses.

Mr Roger Hurn, chairman and chief executive, says: "The market is not dissimilar to the domestic housing market in Britain. Quite a lot of companies would like to refocus. They tend to test the market, by selectively and secretively offering different bits and pieces around.

"Until quite recently they have been disappointed by what the market has been prepared to pay. So many of those 'sales' have been withdrawn. *You'd be amazed how dreadful* businesses become core businesses again, almost overnight, in the light of reality."

Smiths sees some evidence, both in the UK and US, that people are deciding that they ought to lower their sights, take what the market is offering, and use the money to get on with other things.

Mr Hurn said: "One of the frustrations of the last 2½ years, of the early part of recession, has been this unreality because companies like us have obviously been keen to invest. We have been apparently offered large numbers of superficially attractive companies at unrealistic prices. That has been deeply frustrating, because we have been generating cash but have been unable to re-invest it at sensible prices."

The group did recently buy a US disposable medical products company, Intertech Resources, for $110m, about 20 times earnings. Although less than the multiple of 30 times earnings which a similar company would have fetched as recently as a year ago, it was still expensive compared with Smiths' historic multiple of about 13.5.

Nonetheless Mr Gerry Mortimer, economic adviser to Smiths, believes the figures can begin to stack up favourably at this level, once account *is taken of the synergies and* world markets which the UK group can add to such a company, which makes "single-use" anaesthesia and respiratory devices used in surgery and intensive care.

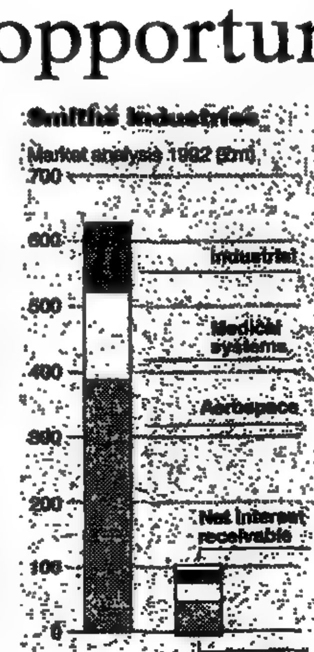
Mr Hurn said: "The one thing that US manufacturers of this sort of product of our sort of size are not good at, and never have been good at, is selling anything outside the US or Canada. I'm not talking about big groups such as Johnson & Johnson, but the small and medium-sized players. What we bring is immediate access to a world distribution network outside North America."

One useful trend, as far as Smiths is concerned, is the virtual disappearance of leveraged and management buy-outs. Mr Mortimer said: "Between three and five years ago we were witnessing auctions – and taking part in some of them – where the *industry participants lost* out to strictly financial buyers.

"We can cite several instances where those properties have come back on the market again-but not the properties they were. They have had to cut their research and development to finance their cashflow, and they still fail."

Smiths believes that engi*neering companies might* offer some of the best buys at present, both in terms of price and the stage they are at in the economic cycle.

Mr Hurn said he would like to build up both these medical and industrial businesses to a



size where they are both much more equal legs on the stool, compared with aerospace. "If we don't do that as a result of aerospace shrinking down to their size, I'd rather see them going up to meet aerospace."

Although the group was willing to make further acquisitions in the US, Mr Hurn thought the UK was going to offer some "jolly good opportunities" for acquisitions at sensible prices at this point in the recession and for the next few months.

In spite of his wish to shift the balance of the group away from aerospace, Mr Hurn does not rule out making acquisitions in that area, and emphasises that Smiths is currently investing £40m a year of its own money in developing aerospace products for customers such as Boeing.

Indeed, Smiths had a very close look at Dowty, the aerospace and information technology group which TI Group won with a hostile £510m bid in June.

Mr Hurn said: "Nobody in their right mind rules out the big quantum jump. It is of a different order of *risk and* strategy. There obviously have been situations in the last two years when we have been talked of as a bidder in the £500m category.

"We spend a great deal of *time and thought processes in* looking at those large opportunities. You only get one shot at getting that wrong – and, therefore, you have to be very, very sure you get it right. I don't mean we wouldn't do it if it was right, but I certainly wouldn't bet the farm on a less solidly based business than Smiths Industries."

He concluded: "What you never know in this game is *whether you are going to pull* something off. You pursue perhaps a tenth of the things you look at; of the 10 you pursue, you get perhaps two to the final stages-and then you can walk away from both of them. It's a very, very low strike-rate."

Sims Food shares fall as profits decline 26% to £2.48m

By Peter Pearse

SHARES IN Sims Food Group shed 16p to 205p as the meat processor and supplier revealed a 26 per cent decline, from £3.35m to £2.48m, in pre-tax profits for the six months to September 30.

In July, when the company revealed a 13 per cent advance to £9.31m for the year to March 31, Mr John Stone, chairman, warned that "a disappointing trend" that had *begun at the beginning of 1992* would continue through the period under review.

Mr David Brady, finance director, explained yesterday that Sims had seen nine months when there had been "*a unique combination*" of a shortage of supply (especially in beef, but also in lamb), coupled with a slight drop in demand. Further, there was abattoir over-capacity, which chased livestock prices up.

However, he added that the company had increased its market share in all its divisions, although at reduced margins. Group turnover rose 23 per cent to £144.2m.

Debt is traditionally high in the build-up to Christmas and was £19m at the period-end, giving gearing of 54 per cent. This should reduce to £15m and about 35 per cent by the year-end. *Earnings shrank to* 5.3p (8.7p) and the interim dividend is maintained at 3p.

مكتبة الأمل

Clothing group sounds cautious note on trading outlook

Dawson Intl dips to £15.5m

By Andrew Bolger

DAWSON International, one of Britain's biggest clothing manufacturers, yesterday sounded a cautious note over the trading outlook as it reported a 4 per cent fall in interim pre-tax profits, from £16.2m to £15.5m.

Mr Ronald Miller, chairman, said: "I see no easing of recessionary pressures, which have adversely impacted the half year. Although in time there should be benefits from lower interest rates and more favourable foreign exchange rates in the UK, these have to be set against an international background with more countries experiencing the effects of recession."

Turnover in the six months to September 30 fell from £217m to £211m.

The profits figure was depressed by a write-down of £1m on the Pringle factory in Dumfries, which has been closed with the loss of 205 jobs.

The premier brands division raised operating profits from £7.4m to £9.8m. The group said that against a background of lower cashmere prices, its Joseph Dawson subsidiary was particularly strong. Todd & Duncan was also positioned to benefit from the better cashmere market and Laidlaw & Fairgrieve had increased volumes in both lambswool and shetland yarns.

Sales of international apparel responded well, despite the difficult trading environment. Ballantyne Cashmere experienced better trading and Pringle of Scotland increased turnover.

The consumer products division experienced a difficult time, particularly in the US, with operating profit down £4m to £3.5m. Sales of West Knitting fleecewear fell as retailers cut stocks.

In the US, the JE Morgan heavyweight underwear business continued to perform well, in spite of slower ordering by retailers. Sales of lightweight underwear were lower, but margins improved because of better operating efficiencies.

Earnings per share were 6.5p (6.4p). The interim dividend is held at 2.9p.

COMMENT

Currency movements have crucial significance for a group which makes about 50 per cent of its sales in the US, exports 25 per cent to Europe and Japan and reckons that about a third of the remaining UK business is tourist-related. These results would have been £400,000 higher if the dollar had remained at last year's levels. However, the pound's devaluation should spell good news for the group in the longer term. Full-year profits are forecast to reach £33m, which would put the shares, down 3p to 234p, on a prospective multiple of about 18. That already anticipates a profits recovery, which may be delayed by the gloomy international outlook.

Trevor Humphries

Ronald Miller: recessionary pressures continue but the benefits of lower interest rates should eventually show through

Vodafone at top of expectations with £160m

By Hugo Dixon

VODAFONE, the mobile communications group, reported a 23 per cent increase in pre-tax profits for the half year to September 30.

This was largely due to continued growth in its customer base despite the recession and improved profit margins.

Profits, which were at the high end of expectations, were £160m compared with £130m. They were achieved on turnover ahead from £286m to £320m.

The share price rose by 14p to 401p.

Mr Gerry Whent, Vodafone's chief executive, said the results for the full year "should be good".

He also revealed that Vodafone's UK cellular network, which accounts for the lion's share of group business, signed up 24,000 subscribers to its new LowCall service aimed at residential customers since it was launched six weeks ago.

This offers customers cheaper monthly payments in exchange for higher call charges.

Half the customers were new while the other half had changed from Vodafone's main business service.

Mr Chris Gent, Vodafone's managing director, said the number of net new subscribers increased to 20,000 in the three months to the end of September.

The proportion of customers leaving the network fell slightly to an annualised rate of 20 per cent.

However, Mr Gent said that this "churn" rate would increase in the next few months because one of the company's service providers was in the process of disconnecting some 7,000 customers.

Mr Whent said that he expected profit margins to decline in the future because most of the benefits of economies of scale had been achieved while new services such as LowCall carried lower profit margins.

Next spring, Vodafone will relaunch its pan-European digital service which currently has only 50 paying customers.

Later next year it plans to launch its micro cellular network which will offer customers cheaper call rates.

Mr Whent said that other businesses in the Vodafone group, apart from the main network company, such as its service provider and paging units were "going well".

Earnings per share were 23 per cent up at 10.76p (8.76p), while the interim dividend rises 20 per cent to 3.43p, against 2.86p.

Net cash balance at September 30 was £158m.

See Lex

Sheraton Hotel sale marks disposal of Polly Peck's largest Turkish asset

By John Murray Brown in Istanbul

ADMINISTRATORS to Polly Peck International, the collapsed UK fruit and electronics group, yesterday completed the sale of the Sheraton Hotel in the Mediterranean resort of Antalya to a local Turkish group.

The hotel, the largest of PPI's Turkish assets to be disposed of, was sold for an undisclosed cash sum to Dogus, a local construction group.

The administrators declined to reveal the value of the sale, although it is believed to be about $45m (£29.8m), considerably less than the $65m the hotel cost to build.

The administrators are also negotiating with a series of companies, including Singer, the Hong Kong electronics concern, for Vestel, PPI's brown and white goods manufacturer.

Three weeks ago negotiations were concluded on the sale of Media print, PPI's printing operation, to the local Uzan family.

Land near Izmir acquired for the planned joint venture between PPI and Peugeot, the French car concern, has also been disposed of. Philip Morris bought the site for its recently agreed cigarette manufacturing investment.

However, the administrators' attempts to recover the PPI assets in northern Cyprus have been obstructed by a series of law suits filed by the former lawyer of Mr Asil Nadir, the former PPI chaiman.

The administrators also suffered a blow when the Kyrenia View, one of PPI's three hotels on the island, was acquired by the north Cypriot government in lieu of a debt to the island's social security fund.

Evans of Leeds 6% higher at £3.67m

By Matthew Curtin and Tracy Corrigan

EVANS OF Leeds, the family-controlled north of England-based property company, shrugged off depressed conditions in the property market with a 6.4 per cent increase in pre-tax profits to £3.67m for the six months ended September 30.

Turnover rose to £10.4m (£9.33m). The rent roll stood at £19m on an annualised basis compared with £18m in the year to March.

Mr John Humphries, chairman, said the results were "very satisfactory" given the difficult market conditions. In the past, the company has remained relatively immune *from the recession because it* has negligible exposure to property investments in the south of England, and through its focus on pre-let projects.

The interim dividend is lifted by 10 per cent to 1.43p from earnings per share of 4.28p (3.95p).

Mr Ian Hartwell, finance controller, said Evans was experiencing good demand for its industrial property.

The company also announced the launch of a further £75m offering of 33-year 11 per cent debentures, secured on a portfolio of 66 properties. The issue, arranged by NatWest Capital Markets, was placed with UK institutional investors.

The money raised will be used to refinance borrowings and provide funds for the *expansion of the group's property portfolio.*

BoS to recapitalise NZ bank

By Terry Hall in Wellington

THE BANK of Scotland said yesterday that it will recapitalise Countrywide Bank next month by taking up a 3-for-2 cash rights issue at a cost of NZ$180m (£61m).

The Scottish bank gained control of Countrywide late last month after a four-month battle in which opponents said its offer was far too low.

Countrywide is New Zealand's fifth biggest bank. The Bank of Scotland formerly controlled Countrywide but was *instrumental in seeing it* merge with the United Bank earlier this year. The United Bank was formerly owned by *the financially troubled State* Bank of South Australia.

The Bank of Scotland said it would complete the compulsory acquisition of the outstanding shares, which would see Countrywide delisted from the stock exchange, by the end of the year.

In addition, a NZ$120m subordinated loan extended by the Scottish bank will provide bridging finance to allow Countrywide to pay for the purchase of United Bank in May.

The merger of both United and Countrywide was completed *last* weekend.

Attack disrupts production at Leeds Group

One of the printing works of Leeds Group suffered an arson attack over the weekend and will be out of full production for several weeks, possibly until after Christmas.

The attack was on Walsden Printing where three of the four printing machines were damaged. Repairs have already started and the undamaged one has already resumed production.

Both Sharps and Strines, the other printing divisions, are working for Walsden, but there will be some disruption to Walsden deliveries and sales will be affected in November and December.

Leeds is confident it is fully insured for the repairs and consequential loss.

Genesis Chile Fund asset value falls

Genesis Chile Fund had a net asset value of $24.83 (£16.40) per participating share at September 30 against an adjusted $26.01 a year earlier.

Net revenue amounted to $4.89m ($4.59m) for earnings per participating share of 60 cents (72 cents adjusted). The dividend is unchanged at 56 cents.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Amber Ind ....int	5.5	Jan 19	4.5	-	17
Apollo Metals § ....fin	2.3	Jan 21	2.3	3.45	3.45
Argyll ....int	3.55	Feb 22	3.2	-	9.75
Dawson Intl ....int	2.9	Jan 20	2.9	-	9
Evans of Leeds ....int	1.43	Jan 6	1.3	-	4.15
Fairline Boats ....fin	6.925	Apr 1	13.85	10.5	21
Genesis Chile ....fin	56★	Jan 20	56*	56	56
IAWS ....fin	1♣	-	1	2	2
Kalamazoo ....int	0.25	Jan 18	0.525	-	1.4
Lowndes Lambert ....int	4.5†	Feb 5	4.2	-	12.6
Monks Inv Trust ....int	2	Feb 1	2	-	6.7
Sims Foods ....int	3	Jan 5	3	-	11.25
Thorn EMI ....int	9	Mar 5	8.6	-	30.1
Vodafone ....int	3.43	Feb 12	2.86	-	5.8‡
Young (H) ....fin	1	Jan 22	4	3	5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish pence. ‡Excludes special. *Adjusted for scrip issue. ★US cents.

COMPANY NEWS: UK

Racing cars of little help when Dwyer is on the line

Vanessa Houlder on the career of Desmond Bloom

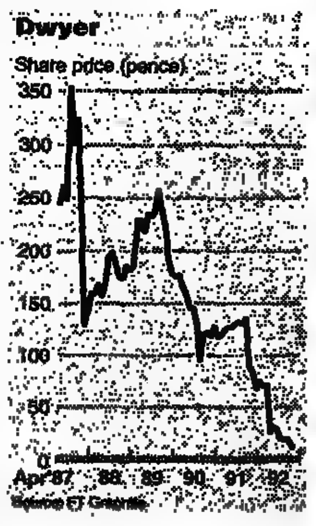
THE RESIGNATION from Dwyer of Mr Desmond Bloom, one of the more colourful property entrepreneurs of the 1980s, closes a chapter in a remarkable career.

Dwyer, a former shell company, briefly became the best performing share on the UK stock market before its value plummeted as the property market collapsed.

It announced on Monday that Mr Bloom is being replaced as chief executive by Mr Joey Esfandi, who is one of Dwyer's largest – and most critical – shareholders. Mr Peter Andrews, who like Mr Esfandi is a director of Winglaw, a private property company, will also join the Dwyer board. Mr Anthony Kirwan, a Dwyer director will become the new non-executive chairman.

While the board changes were of little interest to the stock market, which left Dwyer's share price unchanged, Mr Bloom's departure is illustrative of a broader trend in the market. Small, financially-stretched property companies such as Dwyer, which has a market value of less than £5m, are under increasing pressure from investors to cut costs. Property deal-makers, such as Mr Bloom, who prospered in the frothy property market of a few years ago are struggling to justify their salaries.

Mr Bloom, who resigned at a board meeting on Saturday, was born in Whitechapel, east London. His early history included stints as a guitarist in a rock band, a boxer and a minder to Screaming Lord Sutch, leader of the Monster Raving Loony Party. He became involved in the property industry in the early 1970s and entered the public arena in the mid-1980s when he took over Dwyer, a troubled Irish textile group, and turned it into a property company.




Desmond Bloom: salary could no longer be justified

Dwyer expanded rapidly on the back of a rising property market and its share price rose sharply in the first half of 1987. Since then, however, its fortunes have deteriorated rapidly.

Its share price has fallen from a peak of 400p in 1987 to 19p. It is on course for a pre-tax loss of some £1.4m for the year to September 30. Its gearing stands at an estimated 200 per cent. In an effort to secure survival, the convertible preference shares have been converted to ordinary shares.

Dwyer's change of fortune was not accompanied by a conspicuous scaling-down of its expenses. The company continued to run a racing car, the chairman took delivery of a new Bentley and although the directors cut their salaries by 10 per cent, Mr Bloom's salary exceeded £250,000.

Mr Bloom is happy to defend this expenditure. The racing car paid its way and earned goodwill at race meetings, he says.

If the order for the Bentley, which had been ordered in better times, had been cancelled, a £50,000 deposit would be forfeited. His salary was, in part, making up for his forbearance in his early years in the company when he took no salary.

But in recent weeks, as the figures for the last financial year were collated, he recognised that his salary and associated expenses – including a Mayfair office – could no longer be justified while Dwyer had no prospect of trading profits.

For this reason, Mr Bloom agreed to step down and invited Mr Esfandi to replace him. Mr Bloom, who says he has no regrets about leaving, says he will either try to build up a property portfolio on his own account, take over a shell company or take up an offer to become the chief executive of another quoted company.

Meanwhile, Mr Esfandi promised stringent cost cutting and active management of the portfolio. "We have achieved board representation in order to protect and enhance our investment in the company."

"Our goal is to return the company to profitability and to restore the dividend."

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales

1/2 hour period ending	Provisional Price for Trading on 25.11.92 Pool purchase price £/MWh	Final Prices for Trading on 28.10.92 Pool purchase price £/MWh	Pool selling price £/MWh
0030	18.02	18.93	18.93
0100	26.25	23.73	26.11
0130	29.78	42.00	45.19
0200	29.78	42.00	46.07
0230	22.47	23.73	26.04
0300	22.47	20.35	20.35
0330	20.80	18.93	18.93
0400	17.93	17.73	17.73
0430	17.93	17.73	17.73
0500	17.90	17.74	17.74
0530	17.93	17.74	17.74
0600	17.93	17.73	17.73
0630	17.93	20.32	20.32
0700	22.47	23.38	25.71
0730	23.12	24.28	26.84
0800	23.15	24.38	26.75
0830	23.92	24.43	26.79
0900	23.92	25.02	27.41
0930	42.42	25.13	27.53
1000	42.42	25.18	27.58
1030	42.42	25.19	27.61
1100	29.54	25.24	27.67
1130	29.54	25.60	28.08
1200	29.54	25.70	28.20
1230	29.54	25.63	28.11
1300	29.54	25.43	27.86
1330	24.06	24.99	27.38
1400	24.06	24.55	24.55
1430	24.06	24.52	24.52
1500	24.06	21.98	21.98
1530	24.06	21.97	21.97
1600	29.11	22.03	22.03
1630	38.98	25.16	25.16
1700	48.67	56.26	67.11
1730	46.78	74.52	87.51
1800	41.51	75.86	88.21
1830	29.84	60.40	68.10
1900	28.87	32.14	35.95
1930	27.59	27.89	30.57
2000	27.59	26.43	28.83
2030	24.06	24.38	26.66
2100	24.06	24.38	26.64
2130	23.12	24.03	26.31
2200	22.80	24.03	26.33
2230	22.51	23.48	25.77
2300	20.82	20.37	20.37
2330	18.14	20.32	20.32
2400	18.03	17.78	17.78

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8:30am and 5:15pm Monday to Friday.

Apollo Metals shows 38% drop to £1.26m

By Paul Cheeseright, Midlands Correspondent

APOLLO METALS, the Birmingham-based aluminium distribution and processing group, is maintaining its dividend in spite of a 38 per cent fall in pre-tax profits in the year to September 30.

On turnover down from a restated £27m to £23.4m, profits declined to £1.26m (£2.03m).

The figures, broadly in line with City expectations, translated into fully-diluted earnings per share of 6p, against 10.3p. The proposed final dividend of 2.3p maintains the total at 3.45p.

Over the past year Apollo has been hurt by recession in the UK (although the market appears to have stopped declining in the second half), the general downturn in aerospace industry demand and the impact of lower metal prices, largely caused by the stream of aluminium sales from Russia.

On the domestic market the group sought with some success to maintain margins by offering leading customers such as British Aerospace and Land Rover a "just-in-time" service and progressively to provide materials management rather than mere stock delivery. This has involved more metal processing.

But, at the same time, it has been expanding into France and Germany, the costs of which clipped £200,000 from the pre-tax line.

This expansion added an extra workload to the Birmingham operations, raising costs through the introduction of two-shift working and demanding accumulation of extra inventory.

The effect was also to raise gearing from 7 per cent to 19 per cent. However, the French and German operations are expected to trade profitably this year and, through the expansion of their operations, take some of the financial strain off the UK. This would suggest a profits increase in 1992-93 provided the UK market does not decline.

Mr Bob Teare, chairman, is retiring and will be succeeded by Mr Albert Hargreaves, the deputy chairman.

Reorganisation puts Kalamazoo into red

By Paul Cheeseright

KALAMAZOO, the computer services and printed systems group, slipped into the red during the first half as it reorganised its unprofitable printed product businesses.

The pre-tax deficit for the six months to September 30 1992 was £86,000 compared with profits of £1.54m at the same stage of the previous year.

The Birmingham-based group has switched its year-end to March so that the comparable figures for 1991 have been extracted from management accounts and do not contain the results of US, Australian and New Zealand subsidiaries sold in the last period for which it announced figures – covering the eight months to March 1992.

Despite the deficit, an uncovered interim dividend of 0.25p, down from 0.525p, is declared.

The total distribution for the eight months to last March was 1.4p.

Earnings per share fell from 2.7p to nil.

Both the computer services and printed systems divisions kept up turnover, bringing the overall total to £27.8m (£28.5m).

But while computer services saw operating profits decline slightly from £1.97m to £1.78m, printed systems incurred an operating loss of £442,000 against profits of £826,000.

The printed systems side has been weeding out unprofitable businesses – a rationalisation which cost 70 jobs and led to reorganisation costs of £800,000.

Kalamazoo has withdrawn from the Polish market after operating losses in the last six months of £110,000.

An extraordinary charge of £850,000 related to a provision against money due from the buyer of Live Free or Die Software, the group's former US subsidiary.

The group expects to finish the year in the black, helped by a seasonal boost for printed systems and an upturn after Christmas in new business for computer services.

Directors warned, however, of "the continuing uncertainty that surrounds our marketplace."

NEWS DIGEST

H Young down 24% to £772,000

THE WITHDRAWAL of sterling from the ERM, together with a substantial downturn in activity in the closing quarter, left pre-tax profits of H Young Holdings 24 per cent lower at £772,000 for the year to September 30.

The final dividend is cut to 1p (4p) leaving a halved total of 3p. The shares slipped 5p to 42p.

Sales were marginally down at £30.9m (£31.4m) – the group distributes spectacles and automotive products. Sales for the first nine months were 7 per cent up on the previous year.

Overall, gross margins were maintained and operating profits showed a 5.5 per cent increase over 1990-91. The directors said sterling's withdrawal from the ERM caused profits to be lower by £100,000.

Interest charges rose to £454,000 (£152,000). Earnings per share emerged at 3.5p (4.4p).

Associates behind 38% rise at IAWS

IAWS, the Dublin-based food, fertiliser and agriproducts company, reported a 38 per cent increase to I£7.85m (£8.47m) in annual pre-tax profits helped by a near-£1m increase in the contribution from associated companies.

The return for the year to July 31 was struck on sales just 5 per cent higher at I£398.8m.

IAWS said the profits advance confirmed the benefits of the acquisition of RH Hall, the animal feeds supplier purchased in September 1990 and included for 11 months in 1991.

The company, owner of well-known Irish names such as Bolands Flour Mills and Shamrock, boosted the associates' contribution from I£498,000 to I£1.4m. During the year the company increased its holding in two associates – Northern Ireland-based John Thompson and Irish Pride Bakeries – to 50 per cent.

Tight control of working capital helped to cut debt by I£12m to I£19.7m. Gearing was 46 per cent.

The final dividend is held at 1p for a maintained total of 2p. Earnings were up 33 per cent to 6.5p.

Monks Inv Trust net assets rise

The net asset value per share of Monks Investment Trust amounted to 430p at October 31 against 398.9p a year earlier and 409p at the April 30 year end.

Net revenue for the six months fell to £3.34m, against £3.69m. Earnings came out at 4.3p (4.75p) and the interim dividend is maintained at 2p.

Deepening deficit at BBB Design

Mounting losses continued to plague BBB Design, the USM-quoted marketing and media services company, in the year to April 30.

At the pre-tax level the deficit increased from £245,000 to £389,000. That was struck after interest payable of £26,000 (nil) and an exceptional charge of £65,000 relating to property write-downs.

Turnover fell by £866,000 to £1.65m and after a tax credit of £49,000 (£16,000) losses per share came out at 4.11p (2.78p).

Mr Philip O'Donnell, chairman and chief executive, is to seek shareholder approval to introduce £200,000 in instalments between now and March 1993 by way of a loan to the group.

Walker & Staff declines 32%

Walker & Staff Holdings, a distributor of valve and pipeline equipment, suffered a 32 per cent downturn in profits to £237,000 pre-tax for the half year to September 30.

Turnover fell to £3.67m (£4.25m). Staffing levels were reduced by 15 per cent because of falling demand. Resulting savings were reflected in a decline in other operating charges to £666,000 (£718,000).

Earnings per share fell to 7.3p (10.9p).

Wates City raises £14.2m via disposal

Wates City of London Properties has sold its long leasehold interest in 20 Cannon Street, London, to Allied Dunbar Assurance for £14.2m cash.

The consideration will be settled on completion which is scheduled for December 4.

Drayton Cons 0.5p terminal dividend

Drayton Consolidated, the investment trust which is in the throes of being reorganised, yesterday announced a terminal dividend of 0.5p.

Invesco MIM, Drayton's fund manager, recently paid the trust's shareholders £9.5m compensation. This related to Drayton's exposure in a near-£40m loan made by Invesco MIM to Alma Holdings, the Scottish confectionery company which collapsed earlier this year.

Drayton shareholders never fully knew the extent of exposure, in part because as new loans were being extended old ones were being written down.

The settlement of 85p cash per share is part of a package which is also intended to create a new investment trust, Second Consolidated, with net asset value of 158p per share.

Costs attack boost Guardian to £14.7m

Mainly as a result of progress made in reducing the cost base, The Guardian and Manchester Evening News doubled its half time pre-tax profit.

From turnover £1.67m ahead at £94.2m, the six months ended September 26 1992 produced a profit of £14.7m, against £7m last time.

Results for the rest of the year were expected to reflect a continuation of the severe recessionary conditions.

Victaulic expands with £4.8m purchase

Victaulic, the pipes and fittings maker, has acquired Lindapter International from the receivers of the Henry Barrett Group for £4.8m cash.

The assets acquired consist of plant, debtors and stock as well as an option to buy the shareholdings in the wholly owned French and German subsidiaries.

Lindapter specialises in the design, part manufacture and supply of a branded system for fixing to steel without welding or drilling.

The value of the assets acquired amount to some £1.75m and in the year to end-August operating profits were £700,000 on sales of £5.5m.

COMMODITIES AND AGRICULTURE

Opec ministers face some tough talking in Vienna

Output cuts are necessary if a quickening price slide is to be averted, writes Deborah Hargreaves

MINISTERS FROM the Organisation of Petroleum Exporting Countries face some tough talking when they meet later today in Vienna. Tension between Saudi Arabia and Iran is expected to dominate the meeting where ministers must agree to cut oil production levels for the first quarter of next year if they are to stop a price slide.

The organisation will also hear complaints from some smaller members that membership fees are too high and Ecuador is likely to make moves to leave its ranks.

"Ministers realise that a crisis is beginning to brew for Opec which is causing a lot of heart-searching," said Mr Joe Stanislaw, industry expert at Cambridge Energy Research Associates.

World oil prices have already slipped as the market has become nervous at the posturing by rival delegations in advance of the meeting. North Sea Brent crude oil for delivery in January was steady yesterday at $19.07½ a barrel after losing 30 cents a barrel on Monday.

Growing political animosity between Saudi Arabia and Iran could make compromise on oil output difficult to reach. Iran is challenging Saudi Arabia's leadership of Opec by its efforts to boost production capacity and secure a bigger share of the market.

Tehran is investing $14bn to increase its oil capacity to 4.5m barrels a day by next March. Rather than cutting its output under the terms of Opec's last agreement in September, the republic has been demonstrating its peak production capacity, which it says is 4m b/d.

'Ministers realise that a crisis is beginning to brew for Opec which is causing a lot of heart-searching'

In September, Opec countries agreed to rein in production to 24.2m b/d, with a special allowance for Kuwait. However, most Opec nations paid only lip service to the deal and independent estimates put present Opec output at between 25m and 25.3m b/d.

As a consequence of the higher output, along with fears that sanctions against Iraq may be lifted by the new US administration, allowing Baghdad to return to the oil export market, oil prices have dropped by almost $2 a barrel since October.

Nevertheless, the producers' club remains sanguine about the prospects for demand in the first quarter and its economists are forecasting a call on Opec oil of 25m b/d during the first three months. Opec estimates overall demand at 25.7m to 25.9m b/d with the rest coming from producer stocks.

Mr Ken Miller at Purvin and Gertz, the oil analysis group in Houston, Texas, agrees with these forecasts, but puts the stock drawdown at about 1m b/d. "The market is not awash with oil, the fundamentals do not support a $2 drop in price since October," he said.

Mr Miller believes the market is reacting to Opec's lack of discipline in enforcing production cuts as well as perceived disarray in the producers' club.

For this reason traders need a clear message that producers will cut production if prices are not to slide further. "The mood in the market is very bearish – if there is no agreement, prices could slide $1 to $1.50 a barrel," said Mr Mohammed Adbeljabbar, economist at Petroleum Finance Company in Washington.

Mr Hisham Nazer, the Saudi oil minister is expected to resist calls to trim the kingdom's output. He is likely to clash with Mr Gholamreza Aqazadeh, Iran's oil minister, who has in the past called for deeper production cuts in order to boost prices.

The power struggle between the two is not just based on short-term production cuts, but centres on the philosophy of the organisation and the future basis for determining oil output allocations.

Since the Gulf war, Saudi Arabia has called for member nations' production levels to be more closely based on capacity. This would chiefly benefit the kingdom which has increased its oil output by 3m b/d in the past couple of years.

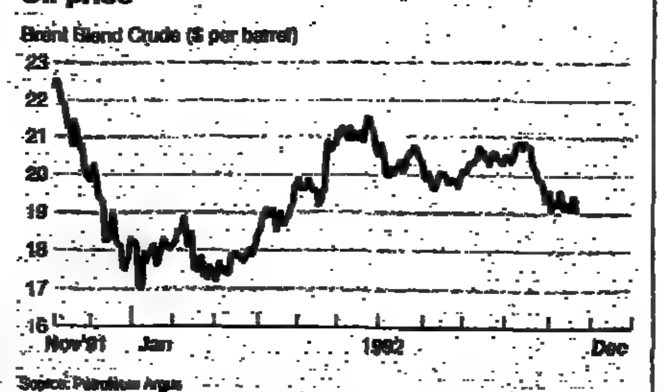
Iran, on the other hand, has pushed for the reinstatement of historical production quotas while at the same time, boosting its own capacity. These arguments will come to a head when Iraq returns to the market and other members will have to cut back deeply to accommodate it.

But these issues are unlikely to be resolved until the sense of crisis is more urgent than it is now. This week's meeting could hedge a compromise by agreeing a cut of say 500,000 b/d from current production. This would involve a small cut for most producers but a rise in September's ceiling.

There is likely to be much wrangling about how the cuts are shared out and it is doubtful whether a cut of this amount would do much to boost prices.

Oil price

Brent Blend Crude ($ per barrel)



Source: Petroleum Argus

Greek group suspends bauxite production

By Kerin Hope in Athens

BAUXITES PARNASSE Mining, Greece's biggest producer of bauxite (aluminium ore), has suspended production for three months because of a sharp decline in sales to its traditional markets in the former Soviet Union.

The company used to sell about 400,000 tonnes of bauxite a year, much of which was used for the manufacture of abrasives, to Razno, a Soviet state trading company. But since the break-up of the Soviet Union, it has had to deal directly with individual plants in the independent republics.

Bauxites Parnasse used to account for about 1 per cent of annual world bauxite production. But output from its mines in central Greece has slumped from a record 1.6m tonnes in 1989 to about 1m tonnes this year.

Mr Ulysses Kyriacopoulos, the company's managing director, said: "We have shut down production completely until February at least. Though we're used to keeping a large stockpile, we'd built up a huge inventory of about 2m tonnes of bauxite, twice the normal level".

Sales to Russia and the Ukraine will amount to only about 100,000 tonnes this year, he said.

"Our task now is to put together deals with individual CIS processors, taking payment in alumina [aluminium oxide], and passing it on to a smelter. It is a much more complicated business."

At the same time sales to Romania have fallen. Bauxites Parnasses used to export up to 300,000 tonnes annually, which was used for producing aluminium. As a result of Romania's severe energy shortage, however, there have been big cuts in aluminium output over the past three years. Bauxites Parnasse expects to sell only 100,000 tonnes of ore to Romania this year.

However, sales to western European bauxite users have not been affected, Mr Kyriacopoulos said. Aluminium de Grece, part of the French Pechiney group, buys 450,000 tonnes a year to help feed an aluminium smelter near Distomo in central Greece.

Greek exporters face problems in finding alternative markets because "hard" Greek bauxite cannot be used by western European processors, which are geared to producing alumina from the "soft" bauxite mined in Africa or South America.

Zairean company's mining problems are 'exaggerated'

By Kenneth Gooding, Mining Correspondent

GECAMINES, ZAIRE'S state-owned copper and cobalt producer, has told its agents and customers that reports that its output is at minimal levels and in danger of being shut down completely are exaggerated.

Traders claim that the group has admitted that it is suffering some production problems arising from the ethnic battles in the Shaba province, where it is based, and shortages of foreign currency to buy spare parts and equipment. However, Gecamines insists that its copper production this year will be between 150,000 and 180,000 tonnes.

This is well below the target it set in March when Gecamines (Générale des Carrières et des Mines), which produces most of Zaire's copper and all the country's cobalt, said it expected to sell just over 200,000 tonnes of copper – or about 2 per cent of refined copper production in the world outside the former eastern bloc countries – and 9,000 tonnes of cobalt this year.

In the mid-1980s, the group's annual copper output was more than 500,000 tonnes.

Gecamines claims that the radio station that suggested the mining company was in dire difficulties is controlled by those opposed to President Mobutu Sese Seko, who has ruled the country with an iron hand for 27 years, and wants to put the worst possible light on Zaire's problems.

The Reuter news agency quoted the radio station as saying that Gecamines was threatened with closure because its main furnace was out and other plants were just ticking over. The radio report said the crisis in Gecamines, which provides two-thirds of Zaire's export earnings, was caused by "bad management" and that it needed a cash injection of $500m.

Other reports suggested that the 165,000 tonnes-a-year Lubumbashi copper smelter had been shut down because of a spare parts shortage and that the Luilu refinery (100,000 tonnes a year) was behind schedule, leaving Gecamines with spare supplies of copper blister (an intermediate product).

However, a Gecamines director who had just returned from Lubumbashi said yesterday in Brussels that operations were continuing "as in the past". And traders noted that Gecamines had made recent shipments to MHO (Metallurgie Hoboken-Overpelt) in Belgium for refining. Nevertheless, some expressed doubts about Gecamines' copper output reaching 150,000 tonnes this year and one said: "These problems appear to be significant and could mean major declines in the production of copper and cobalt over the next couple of years".

● Japan will help China to develop mining of base metals such as copper along the Yangtze River, starting in 1993, an official at the semi-governmental Metal Mining Agency of Japan said yesterday, reports Reuter from Tokyo.

As a first step, the agency plans to use a satellite to find potential mining areas. "China is so large that it is difficult to rely only on manpower to conduct research," the official said.

MMAJ will pay the costs of the survey out of its 1992 development assistance budget.

'Green' pound cut lightens farmers' blues

David Blackwell explains an EC currency move that has lifted UK support prices

THE DEVALUATION of the "green pound" by 7¼ per cent last week, added to the cut in interest rates and increase in capital allowances announced in the chancellor of the exchequer's autumn statement, has taken some of the gloom out of November for UK farmers.

They feel, however, that any extra money coming their way is no more than their due. The workings of the European Community's common agriculture policy are such that the prices they have been guaranteed under EC intervention schemes have remained virtually unchanged since the UK pulled sterling out of the Exchange Rate Mechanism in September. But, as the National Farmers' Union has been quick to point out, the price of imported farm inputs rose immediately sterling was devalued. Regular spending on imported feeds and fertilisers has risen as well as the cost of tractors and other farm machinery.

At the same time food suppliers have been sounding warnings of rising consumer costs. Mr Alan Chandler, of the UK Provision Trade Federation, predicts "continuing upward pressure" on food prices.

This arises not only from last week's devaluation, which halved the 14.4 per cent gap between the green rate and the real exchange rate, but from the further devaluation of the green pound which must follow on January 1 when the European Single Market comes into force.

The system of green rates was designed to remove the uncertainties of the volatile currency markets from the agriculture sector. It is used to convert EC support prices, which are set in Ecus, to national currencies. In the past the green rate has usually been set each year by EC farm ministers.

Cross-border, intra-community trade, however, continued at currency market rates, so a system of "monetary compensatory amounts" (MCAs) was designed to iron out the difference between green rates and real exchange rates.

In simple terms, MCAs operate as subsidies or taxes on imports and exports to eliminate the competitive distortion that would otherwise be caused by "green" currency gaps. In Britain's case the overvaluation of the "green pound" has kept support prices low in real sterling terms, so MCAs have taken the form of subsidies on imports and taxes on exports in trade with community members with stronger currencies. But the European Single Market will abolish border controls at the end of the year, leaving no way of operating the system.

After last week's devaluation the UK's MCA rate, which was 12.9 per cent, is down to 5.4 per cent. In the simplest cases this has raised the UK intervention price (which sets a floor to the market) for common wheat from £125.85 a tonne to £135.32 a tonne, while cutting the MCA for cheddar cheese from £263 a tonne to £118.59.

But the actual rates applied depend on the source of the imports or destination of the exports. Each EC member has its own MCA (unless its green currency rate is very close to the real rate) and the MCA tax or subsidy on a particular trade is determined by consolidating the rates applying in the exporter's and the importer's countries.

Overall, the agriculture ministry said, the devaluation was expected to increase food prices by less than 1 per cent. The NFU argued earlier this month that a full green pound devaluation on January 1 would lift retail food prices by only "about 1 per cent." This was because agricultural wholesale prices, which make up only about 30 per cent of the retail price of food, would rise by 3 per cent "at most".

Mr Sion Roberts, an NFU economist, also pointed out that there were plenty of foodstuffs for which EC did not have price support regimes and were therefore unaffected. He cited potatoes, other fruit and vegetables, and the pig and poultry sectors.

But Britain's Food & Drink Federation last week stood by its prediction earlier this month that a full green pound devaluation in January would lift the price of a loaf of bread by up to 2 pence, a pack of butter by 10 pence and a bag of sugar by 5 pence. "Unfortunately these increases are completely beyond our control and will have some impact on high street prices," said Mr Michael Mackenzie, director-general of the FDF.

The NFU welcomed last week's devaluation and said it would continue to press for the green pound gap to be fully closed by the end of the year. "The New Year will herald the introduction of the Single Market so it is essential that any agrimonetary anomalies should be ironed out by then," said Mr David Naish, NFU president.

However, the EC's plan next year to align the green rate and the real exchange rate at the end of each month will introduce further uncertainty into the agricultural industry. As Mr Roberts pointed out, if the pound were to strengthen against other European countries, the resulting revaluation at the end of the month would be bad for farmers and good for consumers.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,675-1,735 (1,685-1,745).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.25-2.45 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.60-0.70 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 15.80-16.80 (16.50-17.50).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 125-145 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.00-2.10 (2.05-2.15).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.80-5.50.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 45-55 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.75-1.90 (1.75-1.95).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 8.00 (same).

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	+3,675	to 1,451,250
Copper	+825	to 324,025
Lead	+4,350	to 198,450
Nickel	+996	to 61,866
Zinc	+2,075	to 378,800
Tin	-40	to 14,450

WORLD COMMODITIES PRICES

MARKET REPORT

NICKEL prices resumed their upward trend at the London Metal Exchange yesterday, though never challenging the highs reached on Monday. The three months position, which touched $5,650 a tonne before selling set in on Monday, closed yesterday at $5,557.50 a tonne up $30 on the day. ZINC prices, having developed early stop-loss selling, found good mixed buying interest. Three months zinc hit $1,051 a tonne at one point before recovering to close at $1,064.75 a tonne, up $2.50 on the day. It moved further ahead in kerb (after hours) trading to $1,068 a tonne. Three months ALUMINIUM continued Monday's rally to reach $1,213 a tonne at one stage, but by the end of the kerb session hedging sales and profit-taking had pulled it back to $1,200 a tonne, down $6. LEAD prices softened initially in response to a 4,350-tonne LME stocks rise, believed to represent arrivals of CIS metal. But once the three months price had dipped to $312 a tonne, trade buying and short-covering saw last business at $315.

Compiled from Reuters

London Markets

SPOT MARKETS

		+ or -
[illegible]	[illegible]	[illegible]

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN – London FOX (£/tonne)

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

JUTE

[illegible]

COTTON

[illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

	$ price	£ equivalent
[illegible]	[illegible]	[illegible]

GOLD COINS

	$ price	£ equivalent
[illegible]	[illegible]	[illegible]

TRADED OPTIONS

	Calls			Puts		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

New York

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INDICES

[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FINANCIAL TIMES SURVEY

DERBYSHIRE

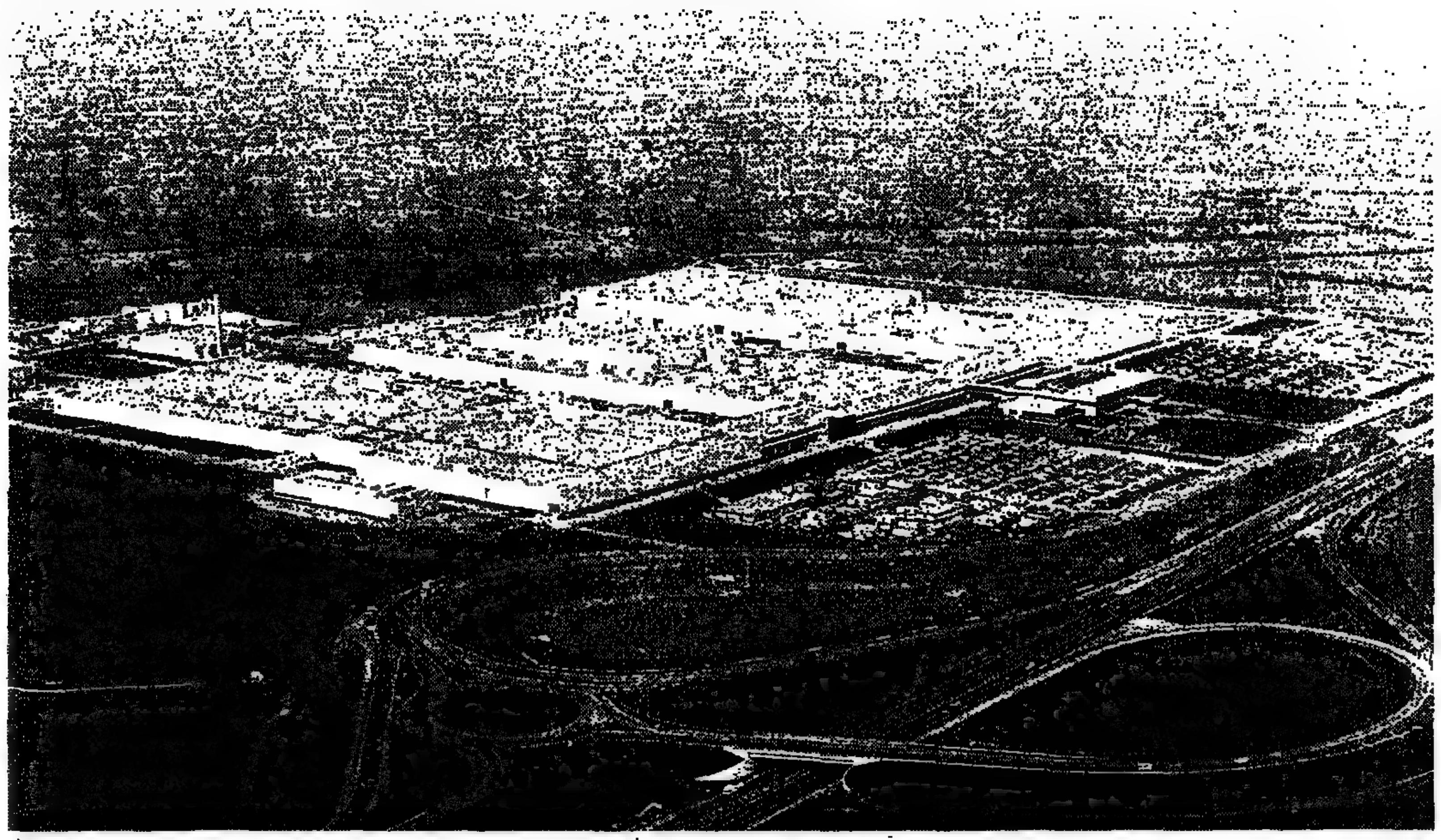
Wednesday November 25 1992

Industrial development: The shake-out continues, Page 3

Derby City: A sharper marketing message, Page 4

Derbyshire is affected by many of the pressures bearing down on UK society – all of which crystallise into the single, crucial question of how to find jobs. The answer is as elusive in Derbyshire as elsewhere in the UK. **Paul Cheeseright** reports

Recovery will be a long slog



Toyota's plant: The decision to locate in the county was the investment coup of the 1980s – and the single most significant corporate decision to have affected Derbyshire for a generation

THE UK comes together in Derbyshire. This is not just because the county, in the heart of England, is a linchpin between the Midlands, the north-west and Yorkshire. It is not just because, within a relatively narrow area, Derbyshire embraces the main characteristics illustrating the contrasting geographical facets of picture-postcard rural England and drab urban landscape.

It is also because Derbyshire is a microcosm of the pressures bearing down on UK society.

Here there are the classic *problems of economic restructuring*, the shift away from old traditional industries to new high-technology light manufacturing. Here there are the difficulties both of reshaping a sluggish rural economy and of urban regeneration. Here there have been the tensions between central and local government.

Here, of pressing immediate importance, are the ravages of recession compounded by the threat to the remaining coalmines of the county.

All of the pressures crystallise into the single crucial question of how to find jobs, both for those who have lost them and for those entering the labour market in the near and medium terms. The question can be no more clearly answered in Derbyshire than anywhere else in the UK.

The immediate response among public authorities is to start talking of inward investment with the customary obeisance to the skilled and adaptable workforce. But there is no measure of this skill and adaptability relative to any other area in Britain. And it is not clear what will be the source of this inward investment.

The chances of investment on the scale of Toyota, the *Japanese car manufacturer* – shortly to start production at a £700m plant in Burnaston, to the south of the county – seems unlikely to be repeated in the immediate future. There has been no rush of Japanese companies to follow it. The taste of Japanese companies for overseas investment, in any case, has been soured by domestic economic problems.

It is true that the strengthening of the UK vehicles and components sector, within which the Japanese involvement and the growing internationalisation of domestic producers are significant factors, could spin off more vigorously into Derbyshire. But, for the moment, the region of attraction for continental European companies has not been the *East Midlands, of which* Derbyshire is a part, but the West Midlands.

To the extent that Derbyshire has actively sought inward investment, it has concentrated on manufacturing. This seems likely to continue. For the service sector, the blandishment of lower property costs than the south of England has lost appeal as a surplus of office space has built up in the Home Counties. Indeed, the Prison Service, which had planned to relocate to Derby, found that it could not afford to move.

Beyond that, industry rather than services gives the county its economic backbone. While there is a case for building up a stronger independent services sector to provide diversification as a protection against *the economic cycles*, Derbyshire in the national context has probably lost that game to Leicestershire and Nottinghamshire.

Of course, it is not surprising *that inward investment should* be seen as an antidote to the difficulties building up in the county economy. The decision of Toyota to go to the county was not only the investment coup of the 1980s. It was also, arguably, the single most significant corporate decision to have affected Derbyshire for a generation. Repetition by other companies, albeit on a smaller scale, would provide dynamism in an economy which, like so many others in the recession, has been winding down.

After all, the presence of Toyota gave the economy, especially in the south, a stimulus *that held off the full* impact of the recession longer than in most UK areas. As recent business surveys have shown, it prompted more confidence about the future among *business leaders than has* been evident elsewhere in the East Midlands.

Further, inward investment, were it to take place, would help to offset the effects of the threatened closure of three collieries, with the loss of nearly 3,000 mining jobs, in the declining coalfield of north-east Derbyshire. Hence the plea for the government to give Assisted Area status to Chesterfield and allow national and European Community subsidies to assist investment.

But, given the UK recession, the decline of industrial production in Japan, the hesitant *recovery of the US economy* and the subdued outlook in continental Europe, it is unlikely that Derbyshire in the near future will experience fresh inward investment on a *scale that* provides *sustained* economic impetus.

The county, like so many others, is forced back to the conclusion that the best hope for growth lies in the expansion of existing companies, the succouring of smaller companies which will be the Rolls-Royces, Brels and Courtaulds of tomorrow.

It remains to be seen whether the Autumn Statement earlier this month is the harbinger of economic recovery and a commercial climate which will turn that hope to reality. If not, then probably the best which can be expected *is static economic performance* accompanied by a build-up of social problems.

Unemployment has been rising steadily across the county although it remains below the *national average in some rural* areas. In Derby, the rate has climbed from 7 per cent to 12.8 per cent in two years, but that average hides the fact that in one inner city suburb the rate reached 30 per cent. For the past five years, the unemployment rate in the Chesterfield area has been running at about 23 per cent above the national average.

More people chasing fewer jobs has led, since the beginning of 1991, to a rapid build-up in the numbers of the long-term unemployed – those who have been out of work for more than a year, according to county council analysis earlier this year.

The worst-affected areas, in *terms of totals, are* Chesterfield and north-east Derbyshire. But parts of Derby are exhibiting that painful British urban phenomenon: a growing concentration of people living outside the ebb and *flow of the* economy. Even when the economy is expanding they do not obtain jobs.

This particular difficulty is being addressed by City Challenge, the government urban regeneration scheme which, after competitive bidding, funnels into a specific area £37.5m over five years.

More generally, the immediate prospects for the unemployed are not encouraging. Both the North Derbyshire and the Derby & Derbyshire Chambers of Commerce, in their latest business surveys undertaken before the Autumn Statement, reported a downturn in orders.

Derby & Derbyshire noted that 40 per cent of the manufacturing companies in its area employing less than 19 people had experienced during the third quarter a decrease in home orders. In the second quarter, 40 per cent of them had found their order books growing.

North Derbyshire observed a deteriorating financial situation for companies in its area: in September, 38 per cent *reported a worsening cashflow*, compared with 31 per cent in June and 20 per cent in March. The number of manufacturing companies operating at full capacity fell to 15 per cent *from 28 per cent over the third* quarter.

Even if the Autumn Statement checks the recession, the impact of recovery will be slow to seep through. In any case the recovery will need to be sustained and far-reaching to provide an economic panacea for the north-east: the continuing struggle to shift dependence away from industries based on coal and steel will enter a new and acute phase in the event of coalmine closures. The county faces a long slog.

Toyota: Local economic impact

Fillip for the county

TOYOTA'S arrival in Derbyshire, the rapid construction of its £700m motor manufacturing plant at Burnaston, south of Derby, and the smooth build-up to the first production of Carina cars next month has given a fillip to the county economy, especially in the south.

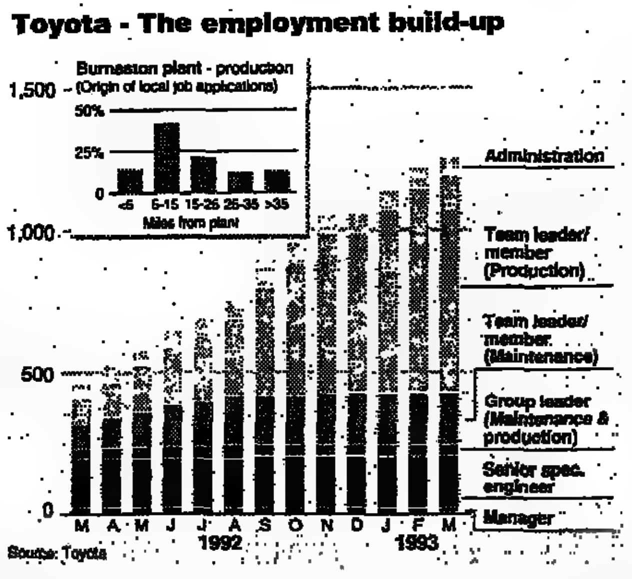
The latest East Midlands business survey by Price Waterhouse, accountants, and Nottingham Business School indicated that business leaders in Derbyshire are the most confident in the region about recovery: a confidence which Price Waterhouse ascribes at least in part to the presence of Toyota.

Earlier surveys from the same source had shown that Derbyshire, again because of Toyota, went into recession later than other counties in the East Midlands.

Yet, although Toyota's decision to establish a plant in Derbyshire was one of the inward investment coups of the 1980s, it promises no instant bonanza. There had been hopes that component manufacturers might follow the car maker to the county. But this has not yet happened.

It is true that hope remains that Toyota will be a nodal point for economic growth. The

Toyota - The employment build-up



Source: Toyota

The rate of expansion after the first phase depends on the state of the market

Derby City Council is expecting some population growth over the next decade. The County Council is hoping that once the recession ends and when the Stoke-Derby link road is in place and a supply of nearby serviced industrial land becomes available, growth will be assured. Over the long term, noting the surplus land on the Toyota site, the County Council also hopes that another Toyota plant may be built.

But now, when the question of jobs is paramount, the number of people that Toyota is employing is less than the number being made redundant, because of recession, by companies in Derby and the immediate areas. Toyota's presence may ameliorate the worsening employment situation; it certainly does not cure it.

Not surprisingly, Toyota has received about 20,000 applications for production jobs. By March, its labour needs will reach 1,250 people as it enters the first phase of its production plans to make 100,000 cars a year by 1995. Although eventually Burnaston is expected to employ 3,000 people as production moves up to 200,000 units a year, the rate of expansion after the first phase depends on the state of the market. Few, under present conditions, would wish to predict that.

Of the 20,000 applications, more than 50 per cent come from within a 15-mile radius of Burnaston, serving testimony both of the perceived job security at Toyota and of the increasingly difficult job situation in Derby itself. But it is clear from the qualifications which Toyota demands of its employees that it will be competing for the cream of the labour force. Thus, as recruitment continues, there is likely to be a local reshuffling of the pack of those employed rather than a dent in the numbers of unemployed.

The average age of the 1,000 employees so far taken on is 32. Toyota said: "The type of people we look for are flexible and willing to learn and need not necessarily have a background in the car industry unless of course it is vital for the job concerned. These characteristics will help them work in an environment of mutual trust and respect where quality and safety are chief concerns."

But the significance of Toyota goes beyond the numbers it directly employs. Two years ago, Derbyshire County Council produced "an impact study", the conclusions of which, it believes, remain valid. This study suggested that, assuming Toyota builds up to a production of 200,000 units a year, a further 4,000 jobs will be created in addition to the 3,000 employed at Burnaston.

This 4,000 would be made up of 1,000 among local component suppliers, 2,000 from the indirect effect of Toyota's investment – largely those involved in providing services and materials to the plant – and a further 1,000 would come as a result of the extra spending resulting from the jobs growth. But the main effects will come after 1995.

Meanwhile, Toyota has been following a policy of local purchase, largely for non-technical purposes. Earlier this year it said it had agreed local contracts worth £133m related to construction and installation work.

Certainly the local construction and construction supply industries in south Derbyshire have weathered recession better than most of their peers elsewhere. Once production reaches 100,000 units a year, Toyota will be buying in components worth more than £100m a year from companies within a radius of 50 miles.

One immediate effect has been a stimulus to the housing sector. Wilson Bowden, a property group with national interests, and Birch, a growing Derby construction company, are starting work three miles from Burnaston on a development which could provide 2,000 new homes over the next 10 years.

Paul Cheeseright

Toyota: The Burnaston plant: Phase One

Built within schedule and budget

THE construction by Toyota of its £700m car assembly plant at the former Burnaston airfield close to Derby is a success – even before the first cars have been produced.

The world's third-largest vehicle manufacturer has been very pleased with the performance of the UK contractors which have built the first phase of one of Europe's biggest industrial complexes.

More than 50 separate subcontractors and 2,500 workers have been employed on Britain's second-largest private sector building project after the Canary Wharf office development in London's former docklands.

The plant, covering more than 200,000 sq metres incorporated more than 20,000 tonnes of steel.

The first phase of the Burnaston plant, completed earlier this year within the original schedule and budget, will allow Toyota to manufacture up to 100,000 cars a year by late 1995. Production of the first Carina E 1600 and 1800 saloons are due to start on December 16.

A second phase of development at the plant, largely investment in more machinery rather than additional construction, will allow the group to produce 200,000 cars a year by 1997-98.

Because of the need to get the plant open and running as soon as a possible designs had to be developed as construction was taking place. This required a high degree of co-operation between client, designers, project managers and the large numbers of separate sub-contractors involved in a large project such as this.

The project, according to builders and engineers who worked on the plant, provided a lesson in how construction contracts should be organised for a British industry which in the past has been criticised for failing to deliver on time and within budget.

Mr Bernard Ainsworth of Laing Management, part of the building and civil engineering group and project director for the Toyota plant, says: "It is helpful when there is a well-organised client which knows clearly what it wants and is prepared to work closely with contractors to achieve its aims."

Toyota, which employed Shimizu of Japan as contract administrator, has had a senior construction team permanently on site with the authority to react immediately to problems without having to refer continually to higher management. This removed some of the possible causes for delay, says Mr Ainsworth.

There was a preference to employ sub-contractors which had previously worked together harmoniously. Mr Ainsworth says: "Following the lead of Toyota and Shimizu, we did not simply accept the lowest tender but looked for the best price for the job as a whole.

The result has been a rate of construction at the Derby plant which has matched the best times achieved by contractors in Japan

"The aim was to develop a close-knit construction team which, although employed by separate companies in different professional disciplines, was able to forge a common purpose to benefit the project as a whole and not just their individual companies."

To promote team spirit and ensure that different trades were kept fully informed of development progress and of any potential delays, there was a regular and free flow of information. Individual subcontractors met the project manager and representatives from Toyota and Shimizu at least once a week. Each meeting lasted between one and two hours and was attended by only a small number of senior managers so as not to delay construction.

There were also formal weekly co-ordination meetings, attended by all the subcontractors working on site, which lasted about 45 minutes. "The aim was to make sure everybody knew what was going on and could plan for problems which might have a knock-on effect on their part of the project," says Mr Ainsworth.

The result has been a rate of construction at the Derby plant which has matched the best times achieved by contractors in Japan. Disputes between main and sub-contractors have been fewer than would normally be expected on a project of this size and complexity.

The decision to start construction before designs had been completed meant that sub-contractors had to be sufficiently flexible to cope with late-breaking designs and changes to the schedule.

Wetter-than-expected ground conditions, for example, led to an early decision to double the number of concrete piles from 1,100 to 2,200. This meant employing an extra contractor at short notice to help with the work.

The extra cost, running into several million pounds, was absorbed into the original budget by finding savings in other parts of the project.

A temporary ring-main, involving half a kilometre of piping, had to be installed to help drain the site of the paint shop. Mr Ainsworth says: "Because we had prepared carefully, we were ready to cope with this sort of contingency. We could react swiftly to overcome problems. Moreover, we knew we had the support of our sub-contractors."

In another case, the lay-out of the assembly shop was changed just before foundations were due to be dug. This meant bringing forward other works. This type of last-minute rescheduling can be very costly and could lead to substantial claims for extra payment from sub-contractors affected.

In this case, the issue was resolved swiftly and no time was lost.

Andrew Taylor


Rolls-Royce engines at Derby prepared for export. Engineering has suffered in the recession.

■ INWARD INVESTMENT

Newcomers needed

Toyota's huge investment in a £700m car plant in Burnaston, south Derbyshire, has so dominated inward investment in the county that there has been little examination of other re-locations and start-ups.

Toyota is often assumed to have brought in fresh investment on its coat tails. There has been some interest among Japanese companies in being close to Toyota's new venture. But there have been few significant investments, at least in Derbyshire.

Since it first announced its plans in 1989, Toyota has never fully spelt out why it chose Burnaston. The availability of a 400-acre airfield which was effectively a greenfield site – and cheap to buy – was one reason. Another was the proximity to the traditional automotive heartland of the West Midlands.

The company made it clear from the start that because of sensitivities in the European Community – the French tried to insist on at least 70 per cent locally-manufactured components in Japanese cars built in Britain – it would, where possible, be using local manufacturers.

This has meant that so far the spin-offs from Toyota have been in Derby itself and also in neighbouring Staffordshire and Leicestershire. Parts of these counties are closer to Burnaston than Chesterfield, the second-largest town in the Derbyshire, and they have a greater concentration of motor component manufacturers.

Derbyshire has a north-south divide both physically and psychologically. The Peak District split it and the people of Chesterfield and Buxton tend to look north to Sheffield and Manchester as main centres rather than south to Derby and Nottingham.

Moreover, the beneficiaries of Toyota so far have tended to be existing manufacturers. In these recessionary times, they usually have spare capacity. There has been little demand for new companies to invade the area, even in Derby.

Mr Gordon Wilding, economic development manager to the Derbyshire Enterprise Board, says: "Leaving aside expansions or contractions in the well-known companies like Rolls-Royce, British Rail Engineering, Thorntons and Nestlé, and apart from one or two investments in Derby like Scholls the footwear people, I am bound to say there have been no significant, totally new, greenfield-type investments in the county, outside of Toyota, in the past few years."

This is not to say there has been no new investment at all. Mr Wilding quickly produces a list which shows that apart from Toyota and its related companies 11 other Japanese concerns have set up in Derbyshire since 1989. They are companies such as Japanese Aero Engines Corporation which has established a presence in Derby and Chiyoda Fire & Marine Insurance (Europe) – also in Derby.

A second list produces the names of 20 German companies which have set up in Derbyshire in recent years .

Local press cuttings give examples of local companies which are expanding. Dove Valley Poultry has opened a new £1.5m factory extension in Ashbourne. Northern Food Transport, which supplies food across the country, has applied for planning permission for a new £3m base in South Normanton, Bolsover. This would employ 200 workers.

None of these cases, however, could be deemed significant new investments either in capital or employment terms.

Mr Wilding says: "These figures are notoriously difficult to arrive at but I would guess that in terms of completely fresh investment you are talking about a total of tens of millions of pounds rather than hundreds – and hundreds of new jobs rather than thousands."

One reason that Derbyshire has not attracted significant new investment, notwithstanding Toyota, is that it has not been helped by the government to promote itself as a re-location centre.

Small parts of the north-east of the county are classified as intermediate area. Businesses there can apply for regional selective assistance, and regional enterprise grants.

Parts of the county also qualify as Objective 2 regions under the European Regional Development Fund and can receive infrastructural aid. Within the Objective 2 region some areas qualify for assistance aimed at helping old coal mining areas. There is also limited assistance available under the Rural Development Scheme and from British Coal Enterprise for various parts of the county.

However, none of this help begins to match the amounts and scope of assistance thrown at south Wales, the north-east of England, or the former steel towns such as Consett and Corby. And it does not remotely mirror the sums channelled through the former new town corporations for economic regeneration.

Specifically, most of Derbyshire is not an assisted area.

Mr David Stone, of the planning department of the Chesterfield District Council, says: "An area like ours needs assisted area status because it is the key to unlocking private sector investment. Assistance and subsidy are not the only reasons a company will move to an area. By themselves they probably would not swing the decision. Others factors are equally, if not more, important. But assistance certainly helps."

Derbyshire has some similarities with Lancashire. Both counties suffered from the decline of textiles and engineering in the recession of the 1980s, but both counties held up well in employment terms through the rest of the 1980s because single, large employers continued to do comparatively well.

In Lancashire's case, aerospace and defence held up, and in Derbyshire, mining – despite contraction – continued to supply jobs. Lancashire is now anxious to gain assisted area status because of the threat hanging over the aerospace industry; Derbyshire because of the cloud over mining.

Mr Stone says: "Given the severity of the recession, we have done relatively well. Unemployment is 11.4 per cent; higher then the national average, but not greatly so. This is why we have not received assisted area status."

The situation may now be about to change. The three coal pits in Derbyshire are not those due for immediate closure. They are among the 21 mines due for reappraisal in three months' time. Some 3,000 are employed in the Derbyshire pits. Thousands of others live in the county but work in pits in Nottinghamshire and Yorkshire. Mr Stone says: "The pit closures, if they happen, will be devastating for this area of north-east Derbyshire. Unemployment will immediate shoot up to 17 per cent."

Derbyshire wants to secure assisted area status as well as any special help that comes specifically for the mines. But it is also stressing other factors in its drive to secure new investment.

It is pointing out the good communications, with easy access to the country's motorways including the M1 and M6. It is stressing that it is surrounded with former industrial cities so there is an available supply of cheap, skilled labour. It is trying to bring forward industrial land which is also cheap at £100,000 an acre. Chesterfield has a business park of seven acres, an industrial park of 23 acres and a further 17 acres of development land on offer.

Mr Wilding says that a US concern is close to finalising a £20m deal which would provide 600 jobs

Derby has just been successful in its "city challenge" bid for funds to spend over five years. Some of this will be used to develop 200 acres for office and industrial use.

It is early days in the renewed attempt to attract inward investment. But Mr Wilding says a US concern which does not want to be named is close to finalising a £20m deal which would provide 600 jobs. This would be a start in demonstrating that it is not just Toyota which finds Derbyshire the place to be.

Stewart Dalby

■ INDUSTRIAL DEVELOPMENT

The shake-out continues

DERBYSHIRE'S economy has diversified sharply from its traditional base of coal mining, engineering, quarrying and textiles, but over the past decade there has not been such marked growth in the service industries as elsewhere in the UK.

Despite the large tracts of rural land, the local economy remains firmly embedded in manufacturing variety. Successive censuses of employment throughout the 1980s showed that the proportion of those employed in the service industries grew from 47 per cent to 55 per cent. At a national level, however, the growth was from 62 per cent to 69 per cent.

Although the shifting proportions denote an expansion of the services sector, they also reflect the rationalisation of traditional industries during the 1980s recession. Underlying this shift is a change in the composition of the workforce, as more women move into service industries jobs.

The second recession in 10 years has meant that the economy has again moved into a period of flux, the manufacturing future of which is uncertain. Job prospects are increasingly conditioned by higher technological demands as the county's industrial base shifts away from traditional industries with their demand for semi-skilled labour.

Over the past decade especially, Derbyshire has expanded into the paper and packaging industries, into general metal manufacture, chemicals, timber and furniture. But it has not been immune from general economic conditions and there are few areas untouched by the ferocity of the recession.

The seemingly inexorable rise in unemployment, as companies seek both to strengthen their balance sheets and to raise productivity as a protection of their margins, is a manifestation of this uncertainty.

North Derbyshire Colliery Manpower 1981-92

Colliery	1981	1992
Arkwright	977	closed 1988
Bolsover	1040	494
Creswell	1109	closed 1991
Ireland	780	closed 1986
Markham	2332	1296
Pleasley	715	closed 1983
Renishaw Park	887	closed 1989
Shirebrook	1902	1006
Westthorpe	704	closed 1984
Whitwell	857	closed 1986
High Moor *	566	187

* Note: High Moor merged with Kiveton Park in December 1989. Derbyshire-based workforce is 187 of total of 776

Source: Derbyshire County Council

In the north-east, the shadow of closure hangs over the collieries

From Rolls-Royce, Brel, the railways equipment manufacturer, and Courtaulds, long-standing mainstays of the Derby economy in the engineering and chemicals sectors, through medium-sized companies from the Chesterfield area such as Robinson, Bryan Donkin and Biwater, respectively in the healthcare and packaging, engineering and water equipment sectors, to small groups going into receivership, the shake-out continues. Size makes no difference.

The cumulative effect is to pose a question for which there is yet no answer, either in Derbyshire or any other county with a strong manufacturing base. It is how to secure expansion on a scale which will absorb those thrust onto the labour market. "It is a job just to tread water," acknowledged Mr Nick Hodgson, the County Council's deputy director.

Arguably, the problem is more severe in the industrial north-east of the county based on Chesterfield than it is in the south, where the Toyota plant can act as a long-term stimulus to growth and where there is the prospect of expansion in the fortunes of groups such as Rolls-Royce once recession has ended. The problems of the south are more related to downturns in orders than to structural change.

In the north-east, however, the shadow of closure hangs over the collieries of Bolsover, Markham and Shirebrook. It is true that collieries have have been closing steadily in Derbyshire since the 1950s. Indeed, 50 years ago, the county coal mines employed 60,000.

The three collieries whose future is now in question employ less than 3,000. But their closure, apart from the knock-on effects on local suppliers and the withdrawal of funds from local communities, will accelerate the gradual change from an economy based on coal and steel. The difficulty is that, with the wider economy depressed, there is no immediate means to effect that change.

By contrast with Derby and the south of the county, in the Chesterfield area, noted Mr Philip Robinson, president of the North Derbyshire Chamber of Commerce, "The larger proportion of people are employed by large companies – at a higher rate than the national average." The larger companies have been reducing their numbers significantly, he added, but it is the smaller companies which create the jobs.

With sluggishness in the international economy, there is little immediate hope of any large-scale inward investment. "I don't know where the jobs are going to come from," said Mr Robinson, observing that the average age of the miners likely to be laid off was 33.

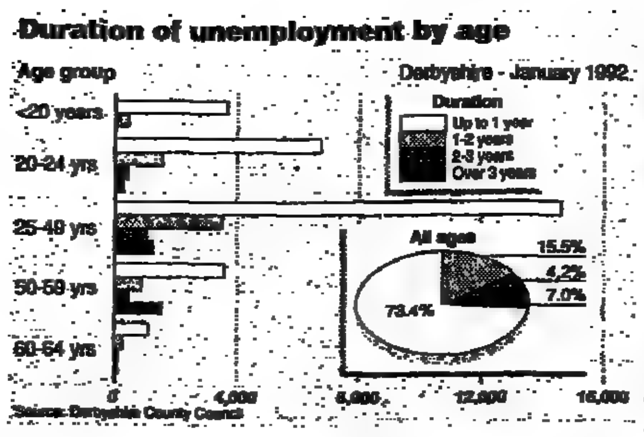
For all that, the county economy is not grinding to a halt. Mr Robinson's eponymous company pushed up its 1992 first-half pre-tax profits to £714,000 from £495,000 in the 1991 first half. Rolls-Royce is still receiving orders for aero engines. Birch, the Derby construction company, has doubled turnover in the year to last September. LB Plastics continues to invest at its Nether Heage plant.

Likewise, despite all the problems of the textile industry, exemplified by the closure of a Tootal mill, Peak Textiles of Ashbourne wanted to extend its plant. Similarly Charnos was expanding its clothing and lingerie operations. In other sectors, Denby Pottery reported plans to increase its workforce.

For the medium term, at any rate, the future prosperity of the county looks increasingly tied to light manufacturing, with a services sector dependent on the growth of industry.

Independent expansion of the services sector looks unlikely given the proximity of older-established centres such as Birmingham and Nottingham. There has not been a great effort by the county to attract back operations from financial services companies, no attempt to establish an insurance sector like, for example, Bristol.

Paul Cheeseright



In Chesterfield, the Labour constituency of Mr Tony Benn, there was a swing to the Liberal Democrats

■ POLITICS

A fresh approach

DERBYSHIRE'S relations with central government have moved into a more emollient phase. It used to be one of the counties which the Thatcher government loved to hate and politicians of both parties would talk of "the Bookbinder factor" – a testimony to the high profile of Mr David Bookbinder, the County Council's Labour leader.

He was a controversial figure of firm opinions and firm expression, not least in his attacks on the Conservatives, a man who flittered across the national consciousness when he mooted property ventures in the Crimea, sold part of the county art collection and became engaged in rows about rates and Poll Tax capping.

But he stepped down last April. Since then he has faded from political view and his place has been taken by Mr Martin Doughty whose approach is more pragmatic and conciliatory. Accepting the reality of the last general election result, he is reconciled to working within the system.

Mr Doughty acknowledges a change of style. An example is the thorny question of local government financing where Derbyshire argues that it, like other counties of the Midlands and North, is disadvantaged in comparison with southern local authorities.

The favourite comparison is with Hertfordshire which, three years ago, is said to have been spending £3m a year less than Derbyshire but which is now spending £50m more. Derbyshire complains that the way in which the county's Standard Spending Assessment is made up by the central government has deprived it of £90m over three years.

"In the past we might have said this is a Tory plot, shouted from the rooftops and not got anywhere. What we've done this time is to put the technical argument together," said Mr Doughty, referring to submissions made to the government earlier this month.

Such an approach requires patience and the county accepts that action is likely to be slow. "Whilst the case for change is convincing, it is accepted that some of the major issues affecting local government finance for 1993-94 – in particular the introduction of the Council Tax – may leave insufficient time to look at flaws in SSAs," the submission said.

Derbyshire, in short, has learned to live with a central government of different political persuasion. It is true that since Mr John Major formed a government the attitude towards Labour local authorities has become less antagonistic. But a combination of softer attitudes both at the centre and in Matlock, the county seat, has taken the heat out of contentious issues.

Thus there is a more co-operative attitude on both sides to the running of the Derbyshire police, whose standards and financing had been sharply criticised by the inspector of constabulary, and the government has backed away from its threat of a public inquiry into the running of the country's public libraries.

Such an amelioration in relations between Whitehall and Matlock, however, comes against background of growing competition between the local authorities of the county. This has been set off by the presence of the county in the first tranche of authorities whose boundaries are being considered by the Local Government Commission in line with the government's policy of stripping out a tier of local government wherever it can.

Each of the 10 local authorities in the county is arguing the case for its own retention, the county council no less than any of the others. Such rivalry transcends party political allegiances. And the more relaxed attitude of Labour on the county council since the departure of Mr Bookbinder seems to have lowered the political temperature.

The altercations between Conservative Derby city and Labour county council have stopped. "I've started to have meetings with the leader of Derby city," said Mr Doughty. "I'm particularly keen to decentralise power away from myself.

"I've also been at pains to involve opposition groups in decision-making," he added, noting that the Conservative leader has been joining the representations to the government on the questions of the Standard Spending Assessment and the local government review.

It is a comment on past political relations in Derbyshire, as distinct from some other parts of the Midlands, that such aims are worth expressing and not taken for granted. In Birmingham, for example, political squabbling has not prevented a bipartisan approach to the big issues of civic development.

The political colour of the county is, in any case, mixed. Although Labour is strong at the county council level, it is less dominant at the parliamentary level. At the last general election, despite swings in its favour of between 1.86 per cent and 7.94 per cent in all but two of the seats in the county, it failed to make any gains. The two exceptions to the general swing were Chesterfield, the Labour constituency of Mr Tony Benn, where there was a swing to the Liberal Democrats, and Derbyshire West where Mr Patrick McLoughlin, the sitting Conservative member, had a swing of 6.55 per cent in his favour from the Liberal Democrats.

Indeed, six of the 10 parliamentary seats in the county are held by the Conservatives. Of the two seats in Derby, which at first glance would appear a natural Labour area, one is held by the Conservatives. And the Conservatives have managed to retain control of – just – the city council. But, apart from Derbyshire Dales, a largely rural area, and High Peak, where the council is hung, Labour have control of all the other boroughs and districts.

Paul Cheeseright

■ THE RURAL ECONOMY

A severe squeeze on incomes

ON paper, Derbyshire has a smaller agricultural sector than many other parts of Britain generally thought of as rural.

Only 1 per cent of the workforce is engaged in agriculture, compared with a national average of 2 per cent and a higher level for some counties such as Devon and Cheshire.

However, agriculture is only part of the countryside's activities these days and Derbyshire has a large rural economy with some 38,000 people working and living in the Peak National Park alone.

Farming in Derbyshire is mixed. There is hill farming of livestock in the north of the county while in the Peak district, where the upland soils are acidic, there is dairy farming. A small horticultural sector flourishes in the south of the county on loamy soils and in the east there is some arable farming on the clay soils.

Roughly 70 per cent of the farming is grass-based.

There are about 4,000 farms in Derbyshire. The average size is 50 hectares but sizes range from the vast sporting estates to smallholdings in the hills. Typically, a hill farmer in the north of the county would supplement his income by either working in the coal mines himself or have male members of his family work in the mines.

A range of government schemes and measures are available

In the past, lead mining in the Peak District served as an additional occupation for farmers. Farm incomes depend on a number of factors such as the level of debt, the kind of farming involved, the efficiency with which the farm is run. What is common to all farms, however, is the severe squeeze on net incomes seen since the mid-eighties, as the reforms of the Common Agricultural Policy of the European Community have reduced subsidies and cut-prices.

Mr Brian Angel of Adas, the advisory service of the Ministry of Agriculture, Fisheries and Food (MAFF), reckons that the trend of net farm incomes in Derbyshire would broadly be in line with national figures which indicate a steady fall of about 50 per cent between 1981 and 1991.

He says: "What has happened is there has been continuous upward pressures on inputs as prices have levelled off or stabilised. Farmers do everything to keep costs down. For fixed costs they have machinery rings where they share machinery. Variable costs are kept down by shedding labour".

With such a squeeze on incomes there is a great emphasis on trying to diversify the agricultural economy into the broader rural economy. A whole raft of government schemes and measures are available for diversification and for conversion.

Part of the Peak District, the High Peak, has been designated an economically sensitive area (Esa); one of 19 such areas in the UK.

Participation in the Esa scheme is voluntary. Farmers who join sign a legally-binding, five-year management agreement with MAFF and comply with a set of management prescriptions in return for an annual payment.

For farms not within an Esa, there are various other schemes including the "set-aside" where farmers are paid to leave land fallow for certain periods; and the farm woodland project. For Derbyshire, however, the two most relevant and widely-applied programmes are the farm diversification grant scheme and the Rural Development Commission's grant scheme. Parts of Derbyshire are designated rural development areas.

The Rural Development Commission can provide grants for the refurbishment of redundant buildings to bring them back into productive business use. The grant can also be used for the upgrading of mains services (electricity, gas, water etc) in premises already in productive use, provided that the work will enable the business to survive or expand. The rate of grant is 25 per cent of the eligible costs of conversion or refurbishment subject to a minimum grant of £250 and a normal grant maximum of £12,500.

Grants are also available under the farm diversification grant scheme. This is run by Adas and offers a package of assistance to farmers thinking of diversifying into non-agricultural profit-making activities on their farm. Various kinds of advice on drawing up projects and marketing products are on offer.

Mr Angel says he has seen no precise figures for the number of farms which have attempted diversification, but at a rough guess he would think it was about 2,000 farms.

Schemes include not just conversions to take in tourists or create farmhouse holidays but also projects such as farm shops, riding schools, trekking centres and various craft workshops.

Mr Angel stresses that the emphasis is as much on conservation as on diversification. He says: "It becomes increasingly difficult to conceptualise the farm economy as something separate from the wider rural economy."

Many of schemes are geared to keeping people on the land and employed in the rural sector as far as possible.

What many schemes try and avoid is giving grants for barns to be converted into second homes for rich city dwellings or first homes for commuters into Derby and Nottingham.

Derbyshire, as elsewhere, has witnessed the phenomenon of sons and daughters of farmers and agricultural workers being unable to afford properties in the villages where they grew up because of pressure from outsiders.

The recession has eased the problem, but it is one which those concerned with the rural economy in Derbyshire do not want to recur.

Stewart Dalby

■ TOURISM

Second only to Mount Fuji

To arrive at an overall picture of what tourism means to Derbyshire in economic terms is difficult. Although the Peak National Park has 75 per cent of its area within the county, it by no means occupies all of Derbyshire.

The park, which covers 550 sq miles, impinges on five other counties. But some of the Derbyshire's best-known tourist attractions lie outside its boundaries.

Buxton and Matlock, two well-known spa towns in Derbyshire, are both outside the park. Buxton was once known as the Bath of the north. Today, it is regrettably blighted and its famous "Crescent" – John Carr of York's terrace built in 1784 – is now boarded up and decaying.

But, using its famous opera house, it holds a festival each July. Buxton also has a number of hotels.

Matlock Bath has a cable car, the Heights of Abraham Park and nature reserve and Gulliver's Kingdom, a theme park.

These attractions pull in visitors over and above those going to the Peak National Park, as does Derby itself with its art gallery and museum.

However, the county council does not concern itself greatly with the promotion of tourism, leaving this to the district councils.

The authorities who run the national park do not involve themselves with mass or high-profile tourist products such as theme parks. They believe these are antithetical to the goals of running a national park.

These goals, they feel, are: preserving and improving the landscape, encouraging the right kind of environmentally-concerned visitor and looking after the interests of people who work and live in the park. There are 38,000 living and working there.

Neither the county council nor the Peak National Park has figures for tourism for the county as a whole. The East Midlands Tourist Board said three years ago it thought that tourism earned £130m for Derbyshire and employed about 9,000 people.

Attractions include the historic houses of Chatsworth and Haddon Hall

The Derbyshire Dales District Council is heavily involved in tourism promotion. Part of its area is within the national park and part outside.

The attractions it extols include the historic houses of Chatsworth and Haddon Hall, the homes of the Dukes of Devonshire and Rutland respectively. These are inside the park. The council also covers Matlock.

In 1990, Derbyshire Dales council estimated that it had 17m day visitors and 1.5m staying visitors. Estimated spending by visitors was £107m and the number of people employed in tourism was 7,100.

The council estimated that this number represented 25 per cent of total employment opportunities in the district of 68,000 people.

Derbyshire is where Isaak Walton, a renowned angling writer, once fished trout streams. It is where Charlotte Bronte set *Jane Eyre*. Clearly, the county has a tourist industry apart from the national park, even if it is difficult to quantify how big it is.

But it is the Peak National Park which is overwhelmingly the greatest visitor attraction.

The latest survey undertaken by the park estimates that in 1991 it had 22m visitor days.

According to Mr Roland Smith, spokesman for the park, this makes it the second-largest visited national park in the world. Only Mount Fuji in Japan attracted more visitors, he says.

The Peak National Park attracts far more visitors than any of the other 10 national parks in England and Wales. It is much more heavily used than any of the famous parks in the US.

It is not hard to see the reason why. The Peak district is surrounded by large conurbations. Sheffield and Manchester to the north, Derby and Nottingham to the south.

It has been estimated that half the population of England is within two hours' drive of the park.

Apart from the historic houses and pretty country towns, visitors go to explore the huge subterranean caverns, and for walking, bird watching, and other outside pursuits.

The Pennine Way begins in the park. It starts at Edale and winds 250 miles to the Scottish borders.

The proximity of large cities and the ease of access puts the park's authorities in a dilemma. The sheer volume of visitors means great wear and tear on often fragile terrain. Moreover, although there are 22m visitor days there are only 500,000 "staying guests" visitors.

This means the park does not make as much income as it might.

In 1991 it was estimated that the park made £75m. The town of Portsmouth on the south coast makes three times as much from a fraction of the number of visitors. This figure does not include those staying in hotels in places like Buxton.

The aim is to diversify the kind of visits to increase income and to ease the pressure. The pattern has been changing.

Mr Smith says: "A few years ago visitors were people having a day out. They often didn't leave their cars. They drove around, drank tea from a Thermos and threw litter out of the window. They spent little and usually didn't even buy petrol in the park. I have noticed that recently the number of walkers has crept up to the point where they are probably as many as the drivers."

There is a constant programme of repair and improvement of footpaths and the landscape

To encourage more environmentally-friendly tourists who stay longer, the Peak authorities have tried to open up the district. They have negotiated between 20 and 30 access agreements with private landlords. These agreements now cover 80 sq miles.

They have signposted trails and footpaths and published literature on walks. They have have set up visitor information centres and have encouraged cycle hire centres. The park has a number of park rangers who have a policing role, although they do not like to be called police.

There is a constant programme of repair and improvement of footpaths and the landscape.

In terms of increasing accommodation, the park is not the planning authority. That task falls to the High Peak District Council and the other district councils.

But it has been closely involved with the Ministry of Agriculture, Fisheries and Food (Maff), the Rural Development Agency (RDA) and other bodies in helping farmers diversify into farmhouse holiday accommodation.

It has also been active in converting barns to provide basic camping facilities for school groups and similar visitors.

Mr Smith emphasises that any building has to be sympathetic to the local environment. Local materials have to be used and planning applications are expected to be in tune with the park.

He says: "A scheme for a time-share project was turned down by the council. We are not here to encourage mass tourism. We are here to look after the landscape and conserve the environment and to encourage the kind of tourists who will appreciate what is on offer.

"Increasingly, we must look after the interests of people who live here."

Stewart Dalby

Derby: The Toyota factor

A sharper marketing message

The City of Derby is slowly stirring from its slumbers. For many years, the Derby economy did reasonably well as one of the country's biggest railway engineering centres and, later, as the home of Rolls-Royce aero-engine manufacture. These were, and still are, leading employers in the area.

Power engineering in the form of boilers and pressure vessels is centred on the Derby plant of Northern Engineering Industries (NEI is now part of Rolls-Royce).

Engineering is complemented by printing (Bemrose Security and promotional Printing), chemicals (Courtaulds), china (Royal Crown Derby), public clocks (Smith of Derby), all with a long history in the area, and many other activities.

The decision of Toyota to locate its first European car assembly plant just outside the city took most people by surprise, even those in the city council who had worked hard at luring the prized outsider to the area.

City leaders were jerked into action. Could Derby capitalise on the Toyota factor? What did it need, to project itself to other potential inward investors? What were the consequences of just going on as before?

The Conservative-led council, prompted partly by local property developers keen to get the city on the move, appointed consultants Braxton Associates – who had worked for Toyota – to summarise Derby's strengths and weaknesses, and recommend a strategy.

Braxton, reporting in autumn 1990, identified a city with little recognition outside Derbyshire and the East Midlands; small – population static at nearly 218,000; more dependent on manufacturing than the country as a whole – 36.4 per cent against a national average of 25.5 per cent; few good office sites; a rather shabby city centre; roads in need of improvement; and no academic institution above a college of higher education.

In Derby's favour, however, were its central location, fairly good "quality of life", relatively low labour costs, and plenty of land available for development.

Two years on, and Derby is changing. The college has become a university. The roads programme which will improve access to the M1, and upgrading of the A38 south Derby bypass, which goes past the new Toyota plant, have started, or are ready to begin.

Pedestrianisation has made the city centre more welcoming, even if its shops are festooned with out-of-season sales, and some have closed.

Kenneth Clarke: announced that £70m relocation project would not go ahead

Not visible, but equally worthwhile, is a greater sense of the leading players in Derby pulling together more than they did. They include the council – still Conservative, although now with a wafer-thin majority – the business community, the Training and Enterprise Council, and the county council, which is Labour-led, but now less stridently left-wing.

All of the big employers have shed labour. Rolls-Royce is nearly 2,000 down in two years, employment at Brel – now part of Asea Brown Boveri – reflects the low rate of investment in Britain's railways. Officials hope that the worst is over, that it will be more of a trickle than a cascade in the months to come. Male unemployment in the city was 15.5 per cent in July 1992, up by 20 per cent in 12 months.

Better-planned marketing of the city to outsiders by the city council and the business community had been recommended by the consultants. The proposed relocation of the Home Office Prison Service to Derby, which would have brought about 1,000 civil servants to the area and another 1,000 or so jobs to be filled locally, was a significant step in that direction.

But in the summer, Mr Kenneth Clarke, home secretary, announced that the £70m project would not be going ahead. Derby's best hope now is that it will be in line for other civil service relocations from London, although downward rents and climbing unemployment in the south-east have cut the cost benefits of other places.

The precise effect of Toyota on Derby cannot be assessed yet.

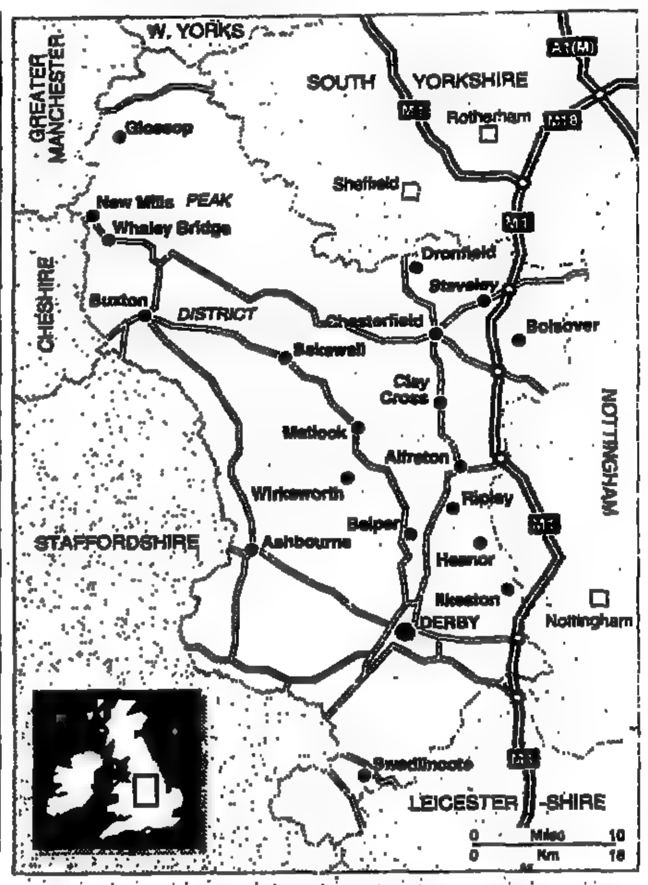
This will have to wait until the Impact Study, commissioned by the government, completes its work. An earlier estimate put the possible employment generation at about 3,000 in addition to the 1,700 jobs by 1994 created by the first phase of the plant, which goes into production in December. The second phase is scheduled for 1997, when employment would expand to 3,000.

Component makers have not been queueing up to locate close to the plant. Derby's easy access to suppliers in the West Midlands, and improving links to East Coast ports, were obvious clinching points for the Japanese manufacturer's decision to go to the area in the first place.

The proportion of recruits to work in the assembly plant who will come from the city is not known. The only crude indicator is that about half of the applicants for the first tranche of jobs came from within 15 miles of the plant.

Not in doubt is that Toyota has sharpened the marketing message that Derby plans to launch early next year. The city is more sure that it can come out from under the shadow of its bigger neighbours in the region.

Hazel Duffy



KEY FACTS

Area	263,110 hectares
Population	916,800
County authority	Derbyshire County Council
	County Offices
	Matlock
	Derbyshire DE4 3AG
Telephone	0629-580000
County Director	Mr J.R. Raine
District councils:	
Amber Valley	Ripley 0773-570222
Bolsover	Mansfied 0623-834171
Chesterfield	Chesterfield 0246-277232
Derby City	Derby 0332-293111
Derbyshire Dales	Matlock 0629-580580
Erewash	Ilkeston 0602-440440
High Peak	Stockport 0663-751751
North East Derbyshire	Chesterfield 0246-231111
South Derbyshire	Burton-on-Trent 0283-221000

Other information

House prices (£ 000's)[1]	Urban	Rural
3-bed semi	46-48	46-48
4-bed detached	95-100	95-100
Prime rents (£ per sq foot)	Urban	Rural
Office	3-10	3-9
Retail	15-100	15-20
Industrial	2-5	2-5
Travel times to major centres	Derby	Matlock
Manchester (road)	2hr	1hr.30
Birmingham (road)	45min	1hr.15
London (road)	2hr.30	3hr
Travel times to major centres	Derby	Matlock
Manchester (rail)	1hr.30	1hr.20
Birmingham (rail)	35mins	1hr.20
London (rail)	1hr.30	2hr.20

Notes: ([1]) Breakdown for Urban/Rural house prices is not available.
Source: detail researched by National Startpoint, producers of social and demographic data for relocation purposes. Telephone 0785-43235

Nigel Rudd chairs both the City Challenge and Derby Pride

Derby: The City Challenge

Special proposals

DERBY'S inner city deprivation indicators are depressingly familiar in a country straddled with poorly resourced industrial cities, big and small.

Unemployment in the city is 12.5 per cent. In the two inner city wards of Litchurch and Babington, it was 30 per cent and 25.7 per cent respectively last July. It is expected to go higher. Absence of work, and low pay for those in work, are all too common in areas of late 20th century cities in Britain.

Unemployment is highest among the ethnic minorities. Poor health is common. Two Derby wards with bad housing conditions and hygiene recently reported an outbreak of a strain of dysentery, for example. Most reported cases of tuberculosis in south Derbyshire are in Derby city.

And, in the past year, there have been disturbing indicators of tensions building up between residents and the police in these districts.

The worst-affected areas are in the south-east of the city, in Normanton and Osmaston. They are part of the area which is the target of the city's successful bid to the government for the second round of City Challenge funds.

Derby officials believe that while their inner city problems are common, their proposals to improve this part of the city are special. The area is sliced into three triangular shapes by two main railway lines and the River Derwent.

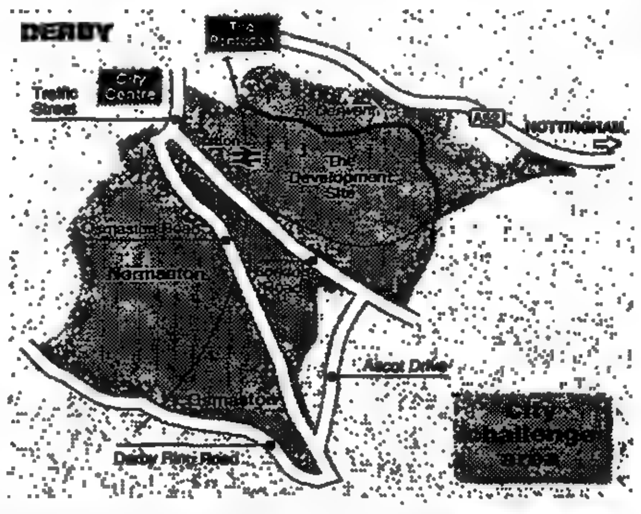
The residential population of about 26,000 is adjacent, but separated by railway tracks from the eastern part of the city, where some 250 acres of land lie derelict. The plan is that this acreage, plus another 50 acres, will be prepared in readiness for development.

The site so created will be the focus of city and business efforts to generate new business and leisure ventures in *the city. At the same time, spe*cial plans are in preparation to meet the social, educational, language and training needs of the inner city residents on the other side of the tracks, so they will be able to take advantage of jobs in the re-developed area.

City Challenge money offers the pump-priming. A new company, Derby Pride, has been set up by the partners in Derby City Challenge to carry out the proposed programmes.

City Challenge and Derby Pride are chaired by Mr Nigel Rudd, who heads the Williams Holdings conglomerate. The vice-chairman of City Challenge is Mr Nick Brown, leader of Derby City Council. Mr *David Dawson, chief* executive of Rolls-Royce's nuclear division, will head the City Challenge executive management from next *January*.

The city business forum proposed two years ago never progressed. Much of the groundwork, however, found a ready vehicle in the City Challenge format where government requires that the public and private sectors work in partnership with the community. The attention now to be paid to the inner city will also, it is hoped, divert some of the private sector's preference for outer city developments, which was stimulated by the Toyota plant, eight miles south-west of the city.



The owners of the inner city site are mostly British Rail Property Board, Brel and British Gas. Derby is not plumping for a single developer of the site, as preferred in some cities. Instead, it plans to use a number of local developers, who will be responsible for bringing in the end-users. The site will be broken up into several smaller sites.

The marketability of the site *will be much improved by the* proposed spine road, which will ensure better access into the area from the big road networks around the city. Specific plans for the site include the relocation of Derby County Football Club to a new all-seater stadium, the National Ice Training Centre, for which Derby has been shortlisted, offices, an arts and media centre, and three new faculty buildings for the new Derby University. Student accommodation, and housing, is also mooted.

The promotion of links between the university and business in planning new employment activities to the benefit of the inner city area *will be stressed from the out*set.

Plans for the Normanton and Osmaston residential areas *will focus on the rehabilitation* of housing – about 70 per cent is owner-occupied or privately rented – using a variety of funding channels. Space for the community to meet the police will be provided at one of the neighbourhood police stations. A new managed workspace centre in the heart of the area will create jobs.

All of these schemes, large and small, will use relatively small amounts of public money – City Challenge funds total £37.5m over five years – to attract a total spend of £212m. Some £36m will be from other public funds, for example, from the Housing Corporation, City Grant, and from the voluntary sector. But the bulk must come from the private sector.

This is why City Challenge has to be a thoroughly well-planned and managed operation from the start. Derby believes it is well on the road.

Hazel Duffy

LONDON STOCK EXCHANGE

News from the US brings share rally

By Terry Byland,
UK Stock Market Editor

A TUG-OF-WAR in the London stock market ended in a victory for the bulls yesterday afternoon when share prices regained ground rapidly on good news about the US economy. Less convincing was the sudden rash of rumours that European central banks had put pressure on the Bundesbank to cut German interest rates.

Earlier trading had seen the FT-SE Index fall by more than 18 points to within five points of the 2,700 mark against a background of continued turmoil in the currency markets and new signs of recessionary pressures in the UK.

The recovery came late in the afternoon and was sparked by Wall Street's positive response to a sharp rise in US consumer confidence disclosed by the Conference Board; the Board's confidence indicator registered 65.5 for November, compared with a readjusted 54.6 in October, and the Dow Industrial Average was 26 points ahead in London trading hours.

Led by a sharply extended premium on the Footsie December futures contract over the cash market, equities rallied quickly and moved into positive territory in the final minutes of the somewhat erratic trading session.

The final reading showed the FT-SE Index at 2,727.1 for a net gain of 4.2 on the day. Trading volume, sluggish at first, increased smartly as the market turned higher. The day's Seaq total of 578.4m shares compared with 461.3m on the previous day when the value of retail business slipped to £855.2m.

Equity strategists were not over-impressed by the late upturn in yesterday's market, preferring to remain somewhat cautious. Several leading securities houses were believed to be warning clients that the UK stock market might have moved "ahead of events".

Mr Ian Harnett at Strauss Turnbull said that fund managers appeared unwilling to buy the London market on fundamental valuation at present, noting also that the yield relative of gilts to equities had returned to about two times this week.

At the start of trading, equities refused to respond to an urgent call for interest rate cuts in Germany from Mr Norman Lamont, the UK chancellor of the exchequer. Any hopes of such a move were later discouraged by the fall in the Frankfurt stock market on news that Germany's money supply rose sharply in October.

News from the corporate trading front remained relatively negative for equity investors. Shell disclosed that it was making heavy redundancies at an oil refinery in the north of England, and the Dutch chairman of Unilever was quoted as seeing no improvement in trading conditions.

International blue chips and other US-orientated stocks rallied sharply with Wall Street and Shell managed to close higher on the day. Hopes that the European countries will make every effort to reduce interest rates despite the uncertainties in currencies helped to keep most store and retail issues firm.

But the stock market, although evidently determined to hold firm above Footsie 2,700, remained well short of the peaks recorded last May. Several strategists repeated the view that only an imminent cut in interest rates would be likely to drive equities further ahead at present.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ADT	46	500	
ASDA Group	9,100	46½	+1
Abbey National	3,100	365	+6
Albert Fisher	2,600	52	-2
Allied-Lyons	1,600	565	+4
Amstrad	159	28	
Anglian Water	500	479	-4
Argos	278	273	+1
Argyll Group	4,400	365	-8
Arjo Wiggins	3,100	157	+2
Ass. Brit. Foods	509	438	
Ass. Brit. Ports	771	313	-9
BAA	1,700	764	-4
BAT Inds.	2,700	802	-8
BET	8,200	92	
BICC	2,500	376	+6
BOC	1,700	743	+2
BP	4,700	231	-1½
BPB Inds.	929	165	-2
BT	4,400	398	
BT New	7,900	294½	+½
BTR	2,700	499	-5
Bank of Scotland	5,600	114	
Barclays	6,900	365	+15
Bass	3,800	880	+6
Beresford Int.	631	16	+½
Blue Circle	1,800	170	
Booker	691	350	
Boots	3,800	497	+11
Bowater	899	436	+3
Brit. Aerospace	1,200	128	+2
British Airways	7,500	268½	+2½
British Gas	6,900	279½	-3
British Land	835	190	-4
British Steel	5,900	48	-½
Bunzl	1,300	104	-1
Burmah Castrol	446	687	-6
Burton	1,500	65	-½
Cable & Wire.	2,800	657	+13
[illegible]	2,400	420	-8
Calor Group	245	225	
Carlton Comms.	1,100	705	-6
Coats Viyella	5,000	208	-3
Comm. Union	449	594	+4
Cookson	587	170	
Courtaulds	847	517	+5
Dalgety	1,100	482	-3
De La Rue	613	826	-5
Dixons	1,800	238	+8
[illegible]	1,100	412	-5
East Midland Elect.	629	426	+1
Eng China Clays	739	433	
Enterprise Oil	1,400	457	+8
Eurotunnel Units	282	344	+14
FKI	1,800	87	-2
Fisons	3,200	189	+7
Forte	1,200	178	+1
Gen. Accident	1,100	576	
General Elec.	3,700	280	+1½
Glaxo	5,900	807	
Glynwed Intl.	384	221	
Granada	1,100	284	-8
Grand Met.	4,100	421	+1
GUS A	277	1578	-16
GRE	846	168	-2
[illegible]	825	402	+2
Guinness	4,300	533	-12
HSBC (75p shs)	5,300	581	-4
Hammerson 'A'	42	298	-6
Hanson	6,500	229¼	+5¼
Hanson Warrants	1,300	17½	+½
[illegible]	1,200	130	+1
Hillsdown	5,800	106	+1½
IMI	1,000	283	-2
ICI	1,200	1025	
Inchcape	5,400	502	-6
Kingfisher	2,100	559	+5
Kwik Save	605	752	-6
Ladbroke	3,500	165	-1
Land Securities	2,000	483	-2
Laporte	574	615	-10
Legal & General	437	407	+4
Lloyds Abbey	1,100	305	+2
Lloyds Bank	3,500	537	+8
LASMO	898	165	+4
London Elec.	1,160	446	-9
Lonrho	785	68	-1
Lucas	1,200	121	
MB Caradon	687	282	
MEPC	461	325	-2
Manweb	279	505	+2
Marks & Spencer	4,500	324	+2
Midlands Elect.	71	474	
NFC	212	273	-2
NatWest Bank	3,500	387	+5
National Power	4,800	284	-3
Next	2,300	128	-½
North West Water	870	480	+3
Northern Elect.	129	488	+4
Northern Foods	[illegible]	[illegible]	[illegible]
Norweb	[illegible]	[illegible]	[illegible]
Pearson	[illegible]	[illegible]	[illegible]
P & O	[illegible]	[illegible]	[illegible]
Pilkington	[illegible]	[illegible]	[illegible]
PowerGen	[illegible]	[illegible]	[illegible]
Prudential	[illegible]	[illegible]	[illegible]
RMC	[illegible]	[illegible]	[illegible]
RTZ	[illegible]	[illegible]	[illegible]
Racal	[illegible]	[illegible]	[illegible]
Rank Org.	[illegible]	[illegible]	[illegible]
Reckitt & Colman	1,000	614	+3
Redland	1,800	394	-3
Reed Intl.	1,300	592	-2
Rentokil	216	193	+5
Reuters	934	1281	-8
Rolls Royce	4,300	92	-2
Rothmans	1,000	698	+2
Ryl Bk Scotland	2,400	195	+4
Royal Insurance	1,700	257	-6
Saatchi	57	143	
Sainsbury	2,300	489	+3
Scottish & New.	337	412	+2
Scot. Hydro-Elect.	224	235½	-1½
Scottish Power	6,200	225	-1
Sears	5,600	92	-2½
Sedgwick	945	159	+4
Seeboard	328	401	-2
Severn Trent Water	1,000	463	+3
Shell Transport	10,000	547	+6
Siebe	2,300	372	+3
Slough Ests	436	142	-3
Smith (W.H.) A	1,300	475	+15
Smith & Nephew	3,800	170	
SmKl Beecham	2,600	536	+4
SmKl Beecham Uts.	679	472	+4
Smiths Inds.	598	312	
Southern Elect.	825	437	
South Wales Elect.	65	525	-2
South West Water	177	503	-4
South West Elect.	38	459	-4
Southern Water	49	474	+2
[illegible]	[illegible]	[illegible]	[illegible]
Tomkins	12,000	212	-3
Trafalgar House	1,200	65½	
Unigate	1,700	299	+1
Unilever	4,600	1038	-8
United Biscuits	812	325	-5
Utd. Newspapers	663	474	+5
Vodafone	5,100	401	+14
Warburg (SG)	231	479	-9
Wellcome	1,100	1043	+7
Welsh Water	173	530	-8
Wessex Water	558	378	-8
Whitbread 'A'	538	448	+4
Williams Hldgs.	2,000	307	+7
Willis Corroon	849	174	-4
Wimpey	464	108	-1
Wolseley	165	473	+5
Yorkshire Elect.	268	464	-6
Yorkshire Water	279	501	

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

First Dealings:	Nov 16	Nov 30	Dec 14
Option Declarations:	Nov 26	Dec 10	Dec 30
Last Dealings:	Nov 27	Dec 11	Dec 31
Account Day:	Dec 7	Dec 21	Jan 11

*New time dealings may take place from 8.30am two business days earlier.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2727.1 +4.2	2619.0 -5.2	1292.39 +1.11

	Nov 24	Nov 23	Nov 20	Nov 19	Nov 18	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2727.1	2722.9	2732.4	2708.2	2704.0	2447.5	2737.8	2281.0	2737.8 11/5/92	986.9 23/7/84
FT-SE Mid 250	2619.0	2624.2	2623.4	2616.9	2610.9	2421.9	2825.0	2157.8	2825.0 20/5/92	1379.4 21/1/86
FT-SE-A 350	1317.9	1318.8	1320.4	1309.6	1308.1	1190.6	1342.7	1103.1	1342.7 11/5/92	664.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2720.5	2716.5	2713.1	2706.6	2708.5	2710.9	2711.1	2720.6	2728.7	2729.0	2704.8
FT-SE Mid 250	2621.7	2619.0	2619.1	2615.0	2615.4	2615.5	2614.8	2613.3	2618.9	2621.7	2613.1
FT-SE-A 350	1315.5	1313.8	1312.5	1309.8	1310.3	1311.3	1311.2	1310.9	1318.5	1318.5	1308.7

Gross dividend yield (ACT at 25%) FT-SE 100 4.42 %

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS. Figures in parentheses show number of stocks per section	Tuesday November 24 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	Xd adj. 1992 to date	Mon Nov 23 Index No.	Fri Nov 20 Index No.	Thu Nov 19 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (174)	774.06	-0.3	7.29	5.54	17.87	29.69	776.34	779.05	773.91	763.18
2 Building Materials (23)	782.70	-0.4	6.61	6.98	21.52	35.83	786.04	788.41	786.43	925.51
3 Contracting, Construction (26)	654.46	-1.3	4.23	7.57	64.03	37.38	662.81	664.52	667.05	1006.21
4 Electricals (9)	2186.20	-0.2	7.69	6.88	17.01	108.10	2170.88	2176.39	2158.71	2415.97
5 Electronics (27)	2174.25	+0.3	7.02	3.93	18.10	56.14	2168.44	2168.73	2162.29	1675.10
6 Engineering-Aerospace (6)	243.47	-0.9	14.54	9.64	8.75	15.92	245.58	248.93	250.29	326.79
7 Engineering-General (43)	451.27	-0.4	8.84	5.20	14.45	16.58	452.48	453.28	447.63	463.68
8 Metals and Metal Forming (7)	274.25	-0.6	6.23	4.68	20.37	8.52	275.98	278.26	277.79	318.21
9 Motors (15)	324.31	-0.6	6.27	7.25	23.26	17.54	326.14	328.00	326.60	304.59
10 Other Industrials (18)	1771.86	-0.5	7.04	4.72	17.18	61.23	1778.99	1784.73	1763.47	1515.73
21 CONSUMER GROUP (192)	1680.06	-	6.93	3.46	17.90	40.00	1679.72	1681.43	1669.85	1545.80
22 Brewers and Distillers (25)	2016.36	-0.3	8.24	3.66	14.65	43.53	2023.02	2009.06	1977.98	1894.06
25 Food Manufacturing (19)	1244.39	-0.7	8.53	4.28	14.58	36.85	1253.47	1254.76	1252.87	1191.36
26 Food Retailing (18)	2961.15	-0.2	8.70	3.14	14.95	62.29	2967.76	2956.23	2951.58	2335.25
27 Health and Household (26)	4382.30	+0.4	5.09	2.59	22.85	87.51	4364.00	4413.08	4359.63	3983.23
29 Hotels and Leisure (18)	1357.50	-0.9	6.94	5.89	19.27	46.03	1354.53	1361.80	1358.29	1314.51
30 Media (27)	1664.06	-0.4	5.02	3.18	20.74	38.19	1671.25	1669.45	1669.41	1444.92
31 Packaging, Paper & Printing (17)	732.80	+0.3	7.15	4.44	17.40	24.01	730.88	734.86	736.75	737.36
34 Stores (35)	1086.79	+0.6	6.71	3.33	19.74	26.40	1079.83	1073.38	1072.61	995.81
35 Textiles (9)	698.21	-0.6	8.76	4.40	18.58	21.09	702.23	702.39	707.54	623.93
40 OTHER GROUPS (116)	1387.26	+0.3	6.85	4.93	14.14	41.46	1383.01	1388.00	1379.70	1207.34
41 Business Services (18)	1408.51	+0.7	6.29	3.62	19.48	30.78	1398.92	1422.37	1410.18	1384.50
42 Chemicals (22)	1342.59	-0.1	6.82	5.46	18.57	48.71	1343.42	1348.16	1335.23	1392.69
43 Conglomerates (10)	1353.71	+1.7	8.51	8.13	15.03	40.93	1330.49	1328.92	1318.08	1429.12
44 Transport (13)	2573.94	+0.6	8.83	4.42	13.57	83.03	2558.54	2591.20	2523.90	2299.76
45 Electricity (16)	1548.95	-0.7	13.51	4.78	9.52	55.01	1559.64	1566.03	1569.04	1175.64
46 Telephone Networks (4)	1640.01	+0.8	8.06	4.15	16.13	46.15	1627.56	1631.40	1617.85	1419.26
47 Water (11)	3277.96	-0.1	13.81	5.30	8.01	94.62	3280.31	3324.34	3327.40	2260.92
48 Miscellaneous (22)	2365.80	-0.2	5.97	4.27	20.74	56.19	2369.46	2395.51	2369.45	1778.38
49 INDUSTRIAL GROUP (482)	1359.28	+0.1	7.62	4.30	16.43	38.41	1358.40	1361.52	1352.62	1242.38
51 Oil & Gas (18)	2159.32	-	6.18	6.00	31.26	102.73	2159.25	2169.87	2137.76	2287.38
59 500 SHARE INDEX (500)	1433.83	-	7.47	4.47	16.83	43.43	1432.99	1436.67	1426.04	1332.97
61 FINANCIAL GROUP (92)	848.77	+0.3	-	5.17	-	31.47	846.42	848.69	839.82	748.81
62 Banks (9)	1174.27	+0.8	5.24	4.75	28.61	40.52	1165.07	1172.03	1155.89	879.47
65 Insurance (Life) (6)	1703.01	-0.2	-	5.34	-	68.18	1706.73	1691.43	1672.24	1958.24
66 Insurance (Composite) (7)	616.09	-0.3	-	4.89	-	22.58	618.18	614.72	615.04	541.77
67 Insurance (Brokers) (10)	709.72	+0.1	6.85	7.54	15.19	42.23	708.99	709.80	700.59	1009.63
68 Merchant Banks (6)	455.69	-0.8	-	5.02	-	16.75	459.17	460.84	461.71	468.73
69 Property (30)	613.72	-0.7	9.18	6.90	14.24	24.94	617.92	616.02	616.83	871.70
70 Other Financial (24)	264.41	-	7.51	6.32	17.49	10.24	264.32	263.86	263.86	240.01
71 Investment Trusts (69)	1263.21	-	-	3.43	-	30.44	1263.77	1259.82	1251.21	1172.67
99 ALL-SHARE INDEX (651)	1292.39	+0.1	-	4.54	-	40.06	1291.28	1294.43	1284.33	1192.58

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10		Previous close	change
Construction	1299.6	1294.8	1291.2	1288.0	1284.0	1286.9	1286.4	1283.9	1283.9	1283.9	1303.4	-19.5
Health&H	1321.9	1321.0	1318.0	1315.9	1315.2	1317.4	1317.9	1319.1	1329.4	1326.9	1321.0	+5.9
Water	1357.6	1353.1	1352.8	1343.2	1347.3	1350.3	1351.7	1351.7	1356.4	1356.3	1355.9	-0.6
Banks	1416.3	1415.8	1410.3	1410.2	1411.4	1411.6	1412.4	1412.9	1426.2	1426.2	1415.1	+11.1

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT at the same address. The FT-SE 100, the FT-SE Mid 250 and the FT-SE Actuaries 350 indices are compiled by the London Stock Exchange and the FT-Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. © The International Stock Exchange of the United Kingdom and Republic of Ireland Limited 1992. © The Financial Times Limited 1992. All rights reserved. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited.

Dividend hope for Barclays

THE BEST performance in the Footsie list came from Barclays Bank, which raced up 4.3 per cent after two leading broking houses, County NatWest and Hoare Govett, came down firmly on the side of those who say the bank will maintain the dividend when it reports its 1992 figures next February. Forecasts that Barclays may cut its 1992 dividend have been unsettling the stock market for some time.

Focusing on Barclays' recovery potential and the dividend, County analyst Mr John Aitken said Barclays was the only stock offering good value in the sector. He expects Barclays' profits to rise from £75m for the current year, to £625m for 1993 and to £1.85bn for 1994. "We take the view that this is the bottom of the profits cycle and that there is significant recovery potential in 1993-4," he said.

Hoare Govett's banks team told clients that Barclays' Tier One capital ratio will remain around 5.5 per cent during 1993 and that the management will not be pressured into cutting the dividend. "The shares are 30 per cent undervalued relative to the sector," said analyst Mr Steve Thorn.

US buys Hanson

Conglomerate Hanson received a push from the US ahead of full-year results next Thursday. US investors continue to pick up the stock for its yield attractions and the shares lifted 5¼ to close near the top of their trading range at 229¼p. Turnover was heavy at 8.5m shares.

The rise in the shares was prompted by awareness that the upstate New York broking house First Albany had put Hanson on its "pick of the week" list. There was also some speculation that Goldman Sachs had raised its dividend forecast. Goldman's Hanson specialist Mr Jack L Kelly said that he maintained his estimate but did believe it would be up to a penny higher than last year's 11p. He did not feel the group's figures will be unduly affected by new accounting rules and he is confident that any moves by President-elect Clinton to clamp down on overseas companies will not hit the conglomerate. Meanwhile County NatWest has been recommending Hanson in the UK and US arguing that 50 per cent of operating profits emanate from the highly operationally geared US subsidiaries such as Beazer USA, Peabody Coal, Cavenham Forest and SCM Chemicals.

Vodafone strong

Interim profits up over 23 per cent and a 20 per cent increase in the interim dividend from Vodafone, the UK's dominant cellular telephone group, were the trigger for an upsurge in the shares. The profits and dividend were well ahead of market estimates.

The stock was the second best performer in the Footsie, rising 14, or 3.6 per cent to 401p, the first time the stock has traded over the 400p level since April 1991.

Analysts quickly upgraded their earnings forecasts for the full year and for next year. Henderson Crosthwaite moved up from £310m to £320m for the twelve months and to £360m for next year, with analyst Mr Brian Newman saying that the results confirmed Vodafone as "the most profitable cellular phone company in the world.

County NatWest moved up to the same figures for the full year and next year. Mr Patrick Wellington, telecoms specialist at County described Vodafone as a "defensive, growth and cyclical stock, that offers all things to all people."

Thorn active

Sparkling figures from Thorn EMI calmed the recent nervousness in the group's shares and led to a welter of upgrades. Strong cash control and improved cost cutting offset any weakness in the rental business, while margins in the recently derided music division were also improved. Most analysts are now forecasting around £340m for the full-year, with Virgin records expected to contribute some £45m. The shares jumped 21 to 796p. Having been under fire from some in the market who believe that it paid too much for Virgin Records, the Thorn management will have been pleased to hear that its former chairman Mr Richard Branson bought an "undisclosed" number of Thorn shares yesterday.

The power generators came under pressure with Smith New Court, the stockbroker, said to have been responsible for much of the selling in the sector. National Power fell to 281¼p before settling a net 3 off at 284p while PowerGen lost 5 at 282p, after 280p. Kleinwort Benson was said to have been the prime mover in South West Water, 4 easier at 503p and Thames, marginally higher at 493p.

Lowndes Lambert was the pick of the insurance broking area of the market, the shares racing up 11 to to 300p after the much better than expected 7 per cent increase in the interim dividend.

Wellcome rose a further 7 to 1043p. Some securities houses have been discussing the company with Japanese institutions.

Shares in Associated British Ports fell 9 to 313p after Kleinwort Benson weighed in with a profits downgrade. The securities house now estimates that current year figures will be between a profit of £10m and a loss of £10m, against a previous forecast of a profit of £30m, to take account of property write downs.

Bargain hunters favoured Tiphook and the shares moved 10 ahead to 265p, with volume reaching 1m.

Among motor stocks, Laird Group eased 8 to 269p, hurt by a report that west European new car sales are expected to fall by 3.5 per cent next year. Laired is supplier to several European car manufacturers.

Last week's downgradings in TI group continued to weaken the shares and they gave up another 5 to 277p. Rolls-Royce gave up 2 to 92p. Market watchers are hoping an analysts visit to the company's NEI site tomorrow will help the shares recover some of the lost ground. Siebe were in demand and the shares hardened 3 to 372p.

International drinks group Guinness dropped 12 to 533p as Kleinwort Benson reiterated its sell stance.

Food manufacturer Unilever suffered a volatile session as a reported speech by the Dutch division's chairman, Mr Floris Maljers, was taken to imply trading difficulties in Unilever's markets, dealers reported. However, reassurances from the company that Mr Maljers speech, said to be given at a private internal company briefing, referred to the general economic situation and not Unilever specifically rallied the shares. They closed 8 off at 1038p, having touched 1026p.

Boots surged as UBS Phillips and Drew was reported to be recommending the stock. The company has been doing a round of presentations recently and has been stressing improved productivity gains. The shares gained 11 to 497p.

Good music figures from Thorn impacted on WH Smith, which owns the Our Price music business, lifting the shares 15 to 475p. Dixons were strong as dealers ran short of stock, the shares adding 8 to 238p.

Interim results from Argyll, while in line with market forecasts, upset some as worries emerged over the price the company was paying for new supermarket sites. The shares retreated 8 to 365p.

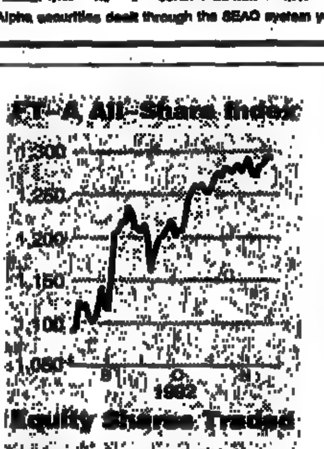
Conglomerate Tomkins had a busy session in which turnover reached 12m as the shares gave up 3 to 212p.

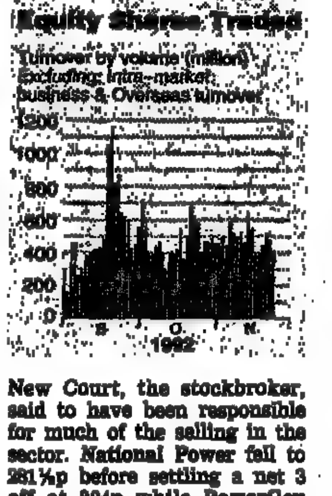
The UK's biggest textile group Coats Viyella was held back by some large agency crosses and the offloading of a block of 1.1m shares at 206p. The stock slipped 3 to 208p on good turnover of 5m shares.

Dawson International announced profits of £15.5m in the first half, down from last year's £16.2m, and said it saw no end to the recession. The shares fell 3 to 224p and Mr Khaleeq Taimuri of Carr Kitcat & Aitken recommended buying on weakness.

MARKET REPORTERS:
Steve Thompson,
Christopher Price,
Joel Kibazo, Peter John.

■ Other market statistics, Page 19





FINANCIAL TIMES EQUITY INDICES

	Nov 24	Nov 23	Nov 20	Nov 19	Nov 18	Year ago	High	Low
Ordinary share	2040.1	2034.3	2035.9	2017.8	2012.2	1867.9	2149.7	1670.0
Ord. div. yield	4.53	4.54	4.53	4.58	4.59	4.98	5.34	4.24
Earning yld % full	6.28	6.34	6.33	6.40	6.46	7.39	-	-
P/E ratio net	20.29	20.10	20.13	19.91	19.72	17.03	20.84	15.79
P/E ratio nil	19.73	18.56	19.59	19.38	18.22	16.05	-	-
Gold Mines	63.0	63.3	64.3	64.1	65.0	170.6	160.6	63.0

*for 1992 Ordinary share index since compilation: high 2149.7 22/5/92 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2031.9	2030.0	2026.8	2023.0	2026.5	2027.1	2027.3	2028.2	2041.0	2041.0	2022.4

Volume	Nov 24	Nov 23	Nov 20	Nov 19	Nov 18	Year ago
SEAQ Bargains	24,334	27,253	28,527	25,807	23,598	21,986
Equity Turnover(£m)†	-	855.2	1009.0	1264.5	1041.9	978.32
Equity Bargains†	-	26,299	30,470	28,193	25,986	20,772
Shares traded (mil)†	-	393.8	475.7	519.4	451.0	417.9

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

Correction: Regalian Properties

In yesterday's Market Report, it was stated that Regalian Properties was "in breach of its banking covenants". This is not correct and we apologise unreservedly for the error.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (88). [illegible] ... (3) ACT, Kalamazoo, Lexicon, ENG AERO (1) Rolls-Royce, ENG GEN (2) EIS, Hall, FOOD RETAILING (1) Fyffes, HOTELS & LEIS (2) Bristol Scotts, Tomorrows Leis., INV TRUSTS (1) First Ireland Wts., MISC (2) Pittard Garnar, Toye, MOTORS (1) DAF N/V, PACKG, PAPER & PRINTG (1) Sun-Plus, PROP (2) Benchmark, Palmerston, STORES (1) In Shops, TEXTS (1) Tomkinsons, MINES (4) Gold Fields SA, Harmony, Hartebeest, Placer Pacific.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)	Notes	Price £	+ or -	1992 High	1992 low	Yield Int.	Yield Red.
Treas 8¼pc 1993		100¼	—	[illegible]	97[illegible]	[illegible]	[illegible]
10pc 1993‡‡		101[illegible]	—	101[illegible]	99[illegible]	[illegible]	[illegible]
12½pc 1993‡‡		[illegible]	[illegible]	104[illegible]	100[illegible]	12.06	[illegible]
Funding 6pc 1993‡‡		[illegible]	—	100	[illegible]	[illegible]	[illegible]
Treas 13¼pc 1993‡‡		107[illegible]	[illegible]	107[illegible]	103[illegible]	[illegible]	[illegible]
8½pc 1994		102¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]							

BRITISH FUNDS - Cont.

[illegible]

OTHER FIXED INTEREST

[illegible]

EQUITY FUTURES AND OPTIONS TRADING

A SQUEEZE together with news of an improvement in US consumer confidence sent stock index futures sharply forward in the last hour of trading, enlivening what had otherwise been a mundane session, writes Joel Kibazo.

The rather dull opening of the December futures contract on the FT-SE, at 2,722, seemed to indicate a quiet session was in store. A mid-morning seller of around 650 contracts sent the contract falling to 2,715 before settling to trade in a narrow range of 2,718 to 2,730 for the next 3 hours.

The strong opening on Wall Street together with the favourable US economic data led to buying interest in December. The upward momentum was given added impetus when a leading securities house became an aggressive buyer, not only taking rival traders in Footsie futures by surprise but also pulling the underlying cash market sharply forward.

The move led to some arbitrage activity and having traded around fair value for most of the session December jumped to a healthy premium. It finished at 2,753, up 30 on 8the previous session and around 16 points above its fair value premium to cash of about 9. Turnover was 7,051.

Most of the day's activity in the traded options was was in the November stock options that expire today. Tesco was the most active with a total of 3,672 lots dealt. Total turnover was 25,972.

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs......h	28½xd	-½	21	14⅝	17,281	1.8
♥Allegheny & W	428p	-16	454p	226p	222.9	4.4
Amdahl	519p	-1	1159p	455p	682.8	1.2
Amer Cyanamid	37¾	—	37⅝	28⅝	3,361	2.8
Amer Express	14⅜xd	-⅜	14¼	10⅞	6,942	4.4
Amer T & T	31⅝xd	-⅜	31½	20¼	41,542	2.7
Ameritech	44⅜	—	44⅞	32½	19,429	5.0
BankAmerica	27⅞xd	-⅜	28½	19⅛	9,828	2.9
Bankers NY	43⅛xd	—	44	28⅞	3,461	4.1
Bell Atlantic	31½	—	31½	23⅛	13,389	5.2
BellSouth	32½	-⅛	34⅛	25	16,868	5.4
♥Bethlehem Steel	[illegible]	+⅛	8⅝	5⅞	888.8	—
Bowater	1933pxd	+32	1579p	905p	559.5	4.9
CPC......h	32¼xd	-⅝	33	22⅞	4,884	2.3
♥Cadiz Land Inc	129p	—	342p	108p	—	—
California Engy	591p	-1	888p	591p	178.6	—
Chase Manhattan	17⅞xd	+⅜	17⅞	9⅛	2,089	4.2
Chrysler	19xd	-⅛	19⅞	6¼	5,595	2.0
Citicorp	12⅛xd	-⅛	12⅞	5⅞	4,489	—
Colgate-Palm	43⅛xd	+3¼	43⅛	25¼	6,874	1.8
Cont'l Bank	1228p	-8	1258p	499p	1,251	3.1
Dana	27⅞xd	-⅜	28⅜	14⅞	1,278	3.6
Data General	725p	-42	1084p	384p	288.1	—
♥Decora Inds	148p	—	148p	68p	—	—
Dun & Brad	37⅝	+⅛	38⅜	27⅞	6,713	3.8
Eaton	48⅜	-¼	48¼	32½	1,681	3.0
Echlin	13⅜xd	-⅛	13½	7⅛	788.2	3.3
FPL	23⅛xd	-⅜	23¼	17⅞	4,177	6.8
Fluor	29½xd	-¼	29¾	19¼	2,392	0.9
Ford Motor	26¼xd	+⅛	26¼	15	13,041	2.4
Gen Elect	52⅛xd	-⅛	62⅞	36⅛	44,539	2.9
♥General Host	552p	-17	669p	350p	—	4.1
Gillette	38⅜xd	-⅜	40	23⅞	8,484	1.2
Hasbro	22⅞	+½	22⅞	12⅞	1,988	0.6
Honeywell	44⅛xd	+⅜	44⅛	32	3,895	2.5
Houston Inds	29¼	—	29½	22	3,788	6.5
IBM	41⅛xd	-⅛	64½	39⅞	23,827	7.3
Ingersoll-Rand	19⅞xd	-⅜	21	12⅞	2,016	2.3
Lockheed	32⅞	+⅛	32⅞	22⅛	2,017	4.1
Lowe's......h	1384p	—	1384p	815½p	1,617	1.3
Merrill Lynch	38⅞xd	-⅛	38⅞	24⅞	3,876	2.0
Morgan (JP)	42⅛xd	-⅜	42½	28⅞	7,728	3.4
Morris (Philip)	52⅜xd	-⅜	62⅛	37⅞	48,177	2.1
NYNEX	54	-¼	54⅛	39⅝	11,088	5.4
Pall	17⅛	-1⅜	20	10⅜	1,538	1.3
Pennzoil	34¼xd	-1¼	38⅞	23⅛	1,398	5.5
Quaker Oats	45⅜xd	-⅛	45½	28	3,358	2.7
Rockwell	17⅛xd	-⅜	17⅝	11½	3,401	3.4
Rep NY	29⅞xd	+⅜	29⅞	20⅞	1,558	2.1
Sears, Roebuck	27⅞xd	-⅛	28⅝	19⅞	9,898	4.5
Sthwestern Bell	45½	—	45½	31⅞	13,653	4.0
Sun Co	16⅞	+⅜	16⅞	12⅛	1,797	6.8
Tenneco	21⅞xd	+⅛	25⅞	16½	2,788	4.5
Texaco	39½xd	-⅛	40⅛	30⅞	10,219	5.1
Time Warner......h	18	-⅛	18¼	11½	6,679	1.0
♥Unitab	324p	—	587p	320p	201.0	—
♣URS Intl. 1c	0¾p	—	1⅛p	0⅛p	2.71	—
US West	24⅛	—	24⅝	18⅞	8,949	6.5
Varity	1378p	+97	1378p	632p	348.5	—
Waste Manage	28¼xd	+⅛	28⅞	16⅞	13,087	1.3
Whirlpool	2069pxd	-10	2079p	1765p	2,803	2.4
♥Woolworth	22⅛	+⅛	22⅞	13⅛	2,885	3.2

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
■Stanmin	8½	—	*18	6	21.8	6.2
■Tarmac	95	—	181	51	892.2	7.7
♣Titon......†	132	—	170	85	14.8	3.3
■Travis Perkins	184	—	228	105	167.0	6.5
♣Tudor......‡	30	—	38	30	3.28	‡
■Unigroup	11	—	24	8½	3.22	—
♣Waterhouse	25	—	48	23	0.83	‡
■Wickes	79	+1	*104	53	228.9	—
■Wolseley......♣	473	+6	479	287	1,119	3.6

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	$†	180	-1½	180	147	3.3	212.2	15.6
Warrants		32	-½	38	21	—	—	—
Scot Mortgage	$†	174	-½	176	135	3.8	202.8	14.7
Scot National Inc	$	76½xd	+½	107	65¾	18.4	—	—
Cap		15	—	42	12½	—	32.4	44.4
Stepped Pf		152½	-½	165½	120	5.9	—	—
Zero Div Pf		203	+¼	203	166½	—	—	—
Warrants		5	—	9	3	—	—	—
Scot Value	†a	66	—	66	48	3.6	68.2	3.3
Sec Alliance	$	1340	+1	1343	1086	3.6	1509.3	11.7
Second Market	c	252	-2	268	222	1.8	296.3	14.9
Sec Tst Scot	$	71½	—	78½	61	[illegible]	77.3	[illegible]
Select Assets		107	-1	108	78½	1.1	156.4	31.6
Eq Ind SerI		124	-1	125	106	4.8	—	—
Eq Ind SerII		124	-1	125	106	4.8	—	—
SHIRESCOT		99	—	99	96	—	101.3	2.2
Shires	$	208	—	240	188	10.9	217.8	-6.4
11pc Cv Ln '03/04		£117	—	£119½	£95½	9.4	—	—
Stam Select		98	—	103	68	[illegible]	[illegible]	[illegible]
Warrants		15	—	21	10	—	—	—
Smaller Cos		68	—	85	66	5.1	78.5	16.5
Warrants		13	—	28	10	—	—	—
Somerset Tst		115	—	140	55	—	88.1	-30.6
Sphere Inc	N	12½	—	30	9½	43.1	23.5	46.8
Zero Div Pf		77	—	77¼	63¾	—	—	—
Sumit		35	—	65	30	4.8	93.3	62.5
TR City of Lon		[illegible]	+½	127½	97½	5.8	118.6	0.1
TR Euro Growth	$	75	-1	98	70	2.4	98.1	24.1
Ptg Sub		23	—	34	33	5.6	—	—
TR Far East Inc	$	112xd	+1	118	76	8.4	122.5	8.4
Warrants		28	+½	22	[illegible]	—	—	—
TR High Inc		110	—	110	91	7.2	105.1	-4.6
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

convertibles converted and warrants exercised if dilution occurs.

- ■ Indicating the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- [illegible]
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ⁂ Not officially UK listed; dealings permitted under Rule 535(2)
- [illegible]
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield, p/e based on [illegible] statement.
- ◆ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
[illegible] yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated [illegible] dividend yield, p/e based on previous year's earnings.
y Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
[illegible] pending scrip and/or rights issue.
[illegible] Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for [illegible]
L Estimated annualised yield, p/e based on latest annual earnings.
[illegible] Yield based on prospectus or other official estimates for 1993-94.
[illegible] prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1250 a year for each security shown, subject to the Editor's discretion

FT Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring +44 81-643 7181 (open 24 hours including weekends) or fax +44 81-770 0544, quoting the code FT7030. Reports will be sent the next working day, subject to availability. Please remember to state the weekly changing code above.

FT Cityline

Real time share prices and other stock market information is available through the FT Cityline international telephone service.
Annual subscription £250.00 stg.
Call +44 71-925 2128 for more details.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

هكذا اصل الأصل

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries 0277 227300 Dealing: 0277 261010						
Intl Bond & Conv	5	116.70	117.00	123.20	-0.20	6.17
Pooled Pension	3¼	137.4	141.8	146.7		-
Smaller Cos	5	50.55	52.34	55.09	+0.02	2.56
UK General	5	110.40	112.00	117.90	-0.60	2.78
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	356.37	356.37	377.75	-4.47	5.46
Global Inc	5	50.89	50.89	53.94	-0.25	4.51
Brit Leaders	5	300.46	300.46	318.49	-3.28	3.21
Intl Leaders	5	162.94	162.94	172.72	-2.40	1.90
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	49.88	45.92	48.85	-0.16	2.60
Far Eastern Tst	6	52.42	52.93	56.31	-0.20	0.86
Smaller Cos	5	110.2	114.9	122.3	-0.1	3.05
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American	5	266.9	267.4	282.9	+5.7	0.92
S & W Capital	5	106.2	106.2	113.8		1.90
S & W Cash	0	101.24	101.24	101.24	+0.04	7.15
S & W European	5	102.5	102.7	108.6	-1.30	1.36
S & W Far Eastern	5	109.4	110.2	116.6	+0.7	0.02
S & W Growth	5	113.2	114.4	121.1	-0.1	1.44
S & W Income	5	99.69	101.0	106.8	-0.5	5.39
S & W Mansion	5	112.8	112.8	121.0	+0.2	1.83
S & W Smllr Secs	5	248.5	253.9	268.6	+2.7	0.46
S & W Thoroughbred	5	130.2	130.2	139.6	+0.01	1.87
Societe Generale Touche Remnant (1600)F						
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2½	87.94	87.94	89.98	-0.39	0.00
Shrt Dtd Gilt	1½	106.6	106.6	108.0	-0.10	1.93
Gilt Income	4	51.14	51.14	53.21	-0.03	8.68
Gilt Growth	4	63.07	63.07	65.66	-0.04	0.00
City Reserve	0	55.16	55.16	55.16	-	7.88
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388045						
Stockmarket Fd F	5	59.88	60.14	63.97	+0.11	2.58

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Baring Investment Mngmt Ltd

155 Bishopsgate, London EC2M 3XY

James Capel Fund Managers Ltd

Cent. Bd. of Fin. of Church of England

2 Fore Street, London EC2Y 5AQ 071-588 1815

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128

Prolific Life & Pensions Ltd

Stramongate, Kendal, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Gwth Magd	615.8	655.2	-2.9	-
Adventurous Magd	147.9	157.4	-1.5	-
Cautious Magd	118.9	126.5	-0.3	-
Cash Fd	313.9	330.8		-
Property Fund	217.5	231.4		-
Equity Fund	708.1	753.3	-5.6	-
Fxd. Int. Fund	392.4	413.5	+0.3	-
International	318.8	339.2	-2.0	-
High Income	531.4	565.4	-1.5	-
Far East	421.8	448.8	-2.2	-
North American	417.4	444.1	-3.1	-
Special Sits	490.3	521.6	-3.2	-
Technology	416.2	442.8	-4.8	-
Extra Inc Fd	292.1	310.8	-1.7	-
[illegible]	140.9	149.9	-0.4	-
American Income	167.5	178.2	-1.2	-
Gilt Fund 20	435.6	463.5	-0.2	-
European Fund	111.0	118.1	-1.9	-
Pref & Fixed Int.	106.6	113.5		-
UK Blue Chip	108.1	114.0	-0.7	-
Recovery Fund	102.0	107.5	-0.7	-
Equity Income Dist	98.7	105.1	-0.7	5.02
Managed Dist	94.4	100.5	-0.6	5.32
High Yield Dist	99.2	104.6	-0.1	7.72
Pension Funds				
Balncd Gth Magd Pens Acc	710.8	746.3	-4.4	-
Adventurous Magd Pens Acc	153.9	162.0	-1.7	-
Cautious Magd Pens Acc	136.6	143.8	-0.5	-
Building Soc Acc	361.0	380.1		-
Property Pens. Acc	295.3	310.9		-
Fix. Int. Pens. Acc	618.8	651.4	+0.7	-
Equity Pens Acc	898.5	945.8	-8.5	-
International Pens Acc	293.0	308.5	-2.2	-
High Inc Pens Acc	596.6	628.1	-2.5	-
Tech Pens Acc	294.7	310.3	-4.1	-
[illegible]	313.7	330.3	-3.9	-
Far Eastern Pens Acc	414.7	436.6	-3.8	-
Special Sits Pens Acc	401.8	423.0	-2.4	-
Extra Income Pens Fd	352.6	371.2	-2.3	-
Convertible & Gilt Pen	172.3	181.4	-1.9	-
[illegible]	191.4	201.5	-0.6	-
European Pens	123.1	129.6	-2.0	-
Managed Cash Pens	170.0	179.0		-
[illegible]	124.4	131.0		-
UK Blue Chip	116.2	122.4	-0.9	-
Recovery Fund	107.2	112.9	-0.8	-
Unitised With Profits Pen	106.6	112.3	+0.1	-
Other Funds				
Margets Growth	115.8	121.9	-1.5	-
Margets Income	117.6	123.8	-0.8	-
Margets Pension	126.5	133.2	-1.9	-

Reliance Mutual

Reliance House, Tunbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or -	Yield Gross
Deposit Acc Fd	166.7	175.5		-
Equity Acc Fd	379.2	399.2	-2.1	-
Managed Acc Fd	335.7	353.4		-
Prop Fd (1st Issue)	-	994.5		-
Prop Acc Fd (2nd Iss)	121.3	127.7		-
Unit Trust Ma. Fd	153.1	161.2		-
RL Pension Funds				
Deposit Acc	241.6	254.3	+0.1	-
Equity Acc	277.2	291.8	-2.1	-
Fixed Int Acc	243.1	255.9		-
Gilt Indx Lnk Acc	185.3	195.1		-
Managed Acc	368.6	388.1		-

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone: 0285 640302 Helpline: 041 307 6500

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
JRA/M&G Managed	108.1	113.8	+0.10	-
JRA/Scottish Amicable Magd	103.2	108.7	-0.30	-
JRA/St James's Place Magd	110.9	116.8	-0.10	-
Deposit	99.20	104.5	+0.10	-
Far East	114.6	120.7	+1.80	-
Gilts	104.1	109.6	+0.10	-
Greater European	106.1	111.7	-0.60	-
North American	123.8	130.4	+0.90	-
UK Equity	106.8	112.5	-0.40	-
Pension Funds				
JRA/M&G Managed cap	105.7	111.3	+0.10	-
JRA/M&G Managed acc	108.8	114.6	+0.10	-
JRA/Scottish Amicable Magd cap	100.2	105.5	-0.30	-
JRA/Scottish Amicable Magd acc	103.1	108.6	-0.30	-
JRA/St James's Pl Magd cap	113.3	119.3	+0.40	-
JRA/St James's Pl Magd Acc	116.7	122.9	+0.30	-
Deposit cap	99.30	104.6		-
Deposit acc	102.2	107.6		-
Far East cap	111.7	117.6	+2.20	-
Far East acc	114.9	121.0	+2.20	-
Gilts cap	102.0	107.4		-
Gilts acc	105.0	110.6	+0.10	-
Greater European cap	106.2	111.8	-0.30	-
Greater European acc	109.3	115.1	-0.30	-
North American cap	128.0	134.8	+0.80	-
North American acc	131.8	138.8	+0.90	-
UK Equity cap	103.8	109.3	-0.30	-
UK Equity acc	106.8	112.5	-0.40	-

Scottish Mutual Assurance plc

Sun Alliance Group – Contd.

Albany International Assurance Ltd

Target International Group

Guinness Flight Fd Mngrs (Guernsey) Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Rothschild Asset Mngmt (CI) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Yamaichi Capital Mngmt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

MANAGEMENT SERVICES

Scottish Provident Institution

Sun Life Unit Assurance Ltd

CMI Insurance Co Ltd

Hambros Fd Mgrs (CI) Ltd

Royal Heritage Life Assurance Ltd

Scottish Widows' Group

Sun Life (UK) PLC

Eagle Star Intl Life

Providence Capital Life Assur. Co Ltd

Prosperity Life Assurance Ltd

Swiss Pioneer Life Plc

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

IRELAND (REGULATED)

Bank of Ireland Unit Managers Ltd

Save & Prosper Group

Teachers' Assurance Company Ltd

Templeton Life Assurance Limited

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Standard Life Assurance Company

Tunbridge Wells Equitable

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

Scottish Amicable

Prudential Assurance Co

Prudential Corporate Pension Funds

Sun Alliance Group

Windsor Life Assur Co Ltd

Scottish Equitable Life Assce. Soc.

Prudential Individual Life Funds

Scottish Life Investments

Prudential Individual Pension Funds

OFFSHORE INSURANCES

GUERNSEY (REGULATED)

CANADA (SIB RECOGNISED)

ISLE OF MAN (REGULATED)

GUERNSEY (SIB RECOGNISED)

Sun Alliance International Life

Baring Intl Fd Managers (Guernsey) Ltd

Equitable International Fund Managers Ltd

John Govett Management (IoM) Ltd

هكذا اصل الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
IBI Global Funds Limited				
Intl Stlg Grth	£20.04	21.10	[illegible]	-
Intl $US Grth	$17.62	18.56	[illegible]	-
High Income Gilt	£26.03	26.99	[illegible]	-
International Equity	£20.37	21.45	[illegible]	-
International Bond	£22.79	23.63	[illegible]	-
Managed Currency	£27.73	28.02	[illegible]	-
Sterling Currency	£26.39	26.66	[illegible]	-
US$ Currency	$37.71	38.10	[illegible]	-
Irish £ Currency	[illegible]	15.[illegible]	[illegible]	-
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.05	11.52	[illegible]	-
B F. Offshore Int Fd Ltd	£11.55	12.15	[illegible]	-
Target International (Isle of Man) Ltd				
INC Offshore Fd	£9.02	9.70	[illegible]	-
[illegible] W/W $/$	£8.96	9.33	[illegible]	-

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633
AIB Currency Funds Ltd						
Intl Managed Bond	5		£– 20.8132	20.8209	[illegible]	-
Managed Capital Bd	5		£– 20.9316	20.9547	[illegible]	-
AIB Scotland Currency Fund Limited						
Stlg Mngd Currency	5		£–	10.9186	[illegible]	-
Sterling Currency Fd	5		£–	10.5062	[illegible]	-
Ecu Currency	5		Ecu–	10.7141	[illegible]	-
US Dollar Mngd Curr.	5		$–	21.3723	[illegible]	-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI						0534 67888
Australian Eq (acc)	5¼	[illegible]	0.870	0.931	[illegible]	1.0
Global Income (acc)	5¼	[illegible]	0.511	0.547	[illegible]	2.4
Global Resources	5¼	[illegible]	0.400	0.428	[illegible]	0.6
Currency Funds						

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust World Wide Port.	£2.457	2.580	[illegible]	2.25
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9.90	9.94	[illegible]	9.45
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Nov 19	$12.98	13.25	[illegible]	3.02
Nat. Westminster Jersey Fd. Mgrs. Ltd				
[illegible]	52.8	55.0	[illegible]	8.12
UK Equity Fd (z)	213.3	227.0	+0.02	2.82
*Intl Bond Fd.	100.8	104.0	[illegible]	7.09
*Sterling Mngd Asset Fd.	533.1	561.0	[illegible]	5.00
*Sub. day every Thurs.				
NatWest Trust/Cur Currency Fund Ltd				
Dollar Class		$36.0661	-0.0210	-
Sterling Class		£26.8374	+0.0041	-
D-Mark Class		DM83.1827	+0.0187	-
Dutch Guilder Class		Dfl82.6711	+0.0161	-
[illegible]		[illegible]	+0.6108	-
Antarctica Realty Portfolio Ltd				
[illegible]	[illegible]	11.44	[illegible]	-
[illegible]	$10.24	10.64	[illegible]	-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Nov 12	$35.22	37.45	[illegible]	-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Grwth Fd.	53.5948	3.8202	-	-
Offshore Japanese Grth Fd	$0.8677	0.9222	[illegible]	-
Offshore Asia Grwth Fd.	[illegible]	6.3482	[illegible]	-
Offshore Emerging Cos.	[illegible]	[illegible]	[illegible]	-
Offshore European Fd.	[illegible]	[illegible]	[illegible]	-
Offshore Far Eastrn Fd.	$2.1947	2.3324	[illegible]	-
Offshore UK Growth Fd.	£1.6968	1.8032	[illegible]	-
The Portugal Fund Limited				
Lloyds Bank Trust Company (Channel Islands) Ltd				
NAV Nov 20		$4.24	[illegible]	-
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£14.42	14.64	[illegible]	1.49
LFM Defensive Strtgy	£11.25	11.85	[illegible]	-

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Gathering storm in ERM

THE BANK OF FRANCE intervened in foreign exchange markets yesterday, buying the French franc, as continuing strains in the European Exchange Rate Mechanism raised doubts about whether the system of fixed parities could survive for long, *writes James Blitz.*

The franc fell to FFr3.40 per D-Mark in European trading yesterday, its lowest level since mid-October, putting the currency at the centre of a gathering storm in the ERM.

The market in European currencies was extremely jittery yesterday, and a number of ill-defined rumours circulated that ERM members would quit the system if Germany refused to cut rates.

However, dealers were increasingly convinced that the Bundesbank is not about to unwind this latest round of tension by easing credit policy. Yesterday's figure for M3 German money supply growth in October – at 10.2 per cent – quashed vague speculation that a cut might come at tomorrow's Bundesbank council meeting.

Dealers reported heavy selling of the French franc for D-Marks. Some stressed that the selling was nothing compared with the pressures that forced the lira and sterling out of the ERM earlier this year.

However, pressures are building. The French authorities intervened twice in the European day, defending the currency at FFr3.40, and short-dated French money market rates rose sharply.

Strains also intensified in the Irish punt and Danish krona markets, with central banks in both countries intervening to support their currencies. Irish overnight rates shot up to 75 per cent, from around 30 per cent the previous day, although this did not stop the Irish currency falling to its ERM floor against the Belgian franc, which is the strongest narrow band currency in the system.

Analysts said that a devaluation looked increasingly inevitable after the Irish general election, because of the loss of trading competitiveness caused by the recent devaluation of sterling.

The Danish krona also weakened, only just managing to stay above its ERM floor against the Belgian currency, despite extremely high overnight rates.

Mr Christopher Potts, an economist at Banque Indosuez in Paris, said that it was hard to believe that the markets were about to re-run the battle of the franc that was waged in the summer.

"The key now is the attitude of the Bundesbank," said Mr Potts. He believes that strains can be avoided if the Bundesbank eases policy in the wake of the wage and budget negotiations in progress.

Mr Potts says that the second battle of the franc would not be won by raising French interest rates. "That would not be credible now that the market is placing a new premium on economic growth."

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 24	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	182.194	175.166	-3.86	5.73	65
Spanish Peseta	143.386	141.924	-1.02	2.70	18
Belgian Franc	40.6304	40.3845	-0.61	2.27	32
Dutch Guilder	2.21958	2.20666	-0.58	2.25	31
D-Mark	1.96992	1.96153	-0.43	2.09	51
French Franc	6.60683	6.66576	0.89	0.76	-47
Danish Krone	7.51410	7.63795	1.65	0.01	-73
Irish Punt	0.735334	0.747511	1.66	0.00	-48

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov 24	Latest	Previous Close
£ Spot	1.5175-1.5185	1.5485-1.5495
1 month	0.54-0.53pm	0.58-0.56pm
3 months	1.25-1.22pm	1.25-1.22pm
12 months	3.55-3.45pm	3.50-3.40pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Nov 23

OTHER CURRENCIES

	£	$
Korea(Sth)	1191.40 - 1210.60	785.20 - 791.40
Kuwait	0.45495 - 0.45550	0.29950 - 0.29980
Luxembourg	49.95 - 50.05	32.90 - 33.00
Malaysia	3.8080 - 3.8365	2.5255 - 2.5300
Mexico	4730.05 - 4733.10	3117.00 - 3119.00
N.Zealand	2.9440 - 2.9475	1.9400 - 1.9425
Saudi Ar.	5.6435 - 5.7385	3.7495 - 3.7505
Singapore	2.4755 - 2.4820	1.6340 - 1.6350
S.Af (Cm)	4.5565 - 4.5660	3.0105 - 3.0125
S.Af (Fn)	7.5490 - 7.6640	4.9750 - 5.0505
Taiwan	38.45 - 38.60	25.35 - 25.45
U.A.E.	5.5955 - 5.6205	3.6715 - 3.6735

*Floating rate. Iran Official rate:£99.65 $66.35

POUND SPOT - FORWARD AGAINST THE POUND

[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 2.21-2.16pm. 12 Month 3.60-3.50pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

[illegible]

Long term Eurodollars: two years 5-4⅞ per cent; three years 5½-5⅜ per cent; four years 6-5⅞ per cent; five years 6⅜-6¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
108	2.04	-	-	-	0.24	-
109	1.05	-	-	0.01	0.35	-
110	0.23	1.77	-	0.03	0.57	-
111	0.04	1.18	-	0.15	0.85	-
112	-	0.75	-	-	1.29	-
Open Int.	221,118	172,046	19,105	237,009	131,094	10,875

Estimated volume 79,865 ; Total Open Interest 791,861
† All Yield & Open interest figures are for the previous day.

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5185	1.5131	1.5062	1.4966	1.4830

BASE LENDING RATES

	%		%		%
Adam & Company	7	Credit Lyonnais	7	McDonnell Douglas Bk	7
Allied Trust Bank	7	Cyprus Popular Bk	7	Midland Bank	7
AIB Bank	7	Duncan Lawrie	7	Mount Banking	8
• Henry Ansbacher	7	Equatorial Bank plc	7	NatWestminster	7
B & C Merchant Bank	13	Exeter Bank Limited	8.5	Northern Bank Ltd	7
Bank of Baroda	7	Financial & Gen. Bank	8	Nykredit Mortgage Bank	7.5
Banco Bilbao Vizcaya	7	• Robert Fleming & Co.	7	• Rea Brothers	7
Bank of Cyprus	7	Girobank	7	Roxburghe Bank Ltd.	10
Bank of Ireland	7	• Guinness Mahon	7	Royal Bk of Scotland	7
Bank of India	7	Habib Bank AG Zurich	7	• Smith & Williamson Secs.	7
Bank of Scotland	7	• Hambros Bank	7	Standard Chartered	7
Banque Belge Ltd	7	Hampshire Trust Plc	13.5	TSB	7
Barclays Bank	7	Heritable & Gen Inv Bnk.	7	Unibank plc	7
Brit Bk of Mid East	7	• Hill Samuel	7	• United Bk of Kuwait	8
• Brown Shipley	7	C. Hoare & Co.	7	Unity Trust Bank Plc	7
CL Bank Nederland	7	Hongkong & Shanghai	7	Western Trust	7
Citibank NA	7	Julian Hodge Bank	7	Whiteaway Laidlaw	7
City Merchants Bank	7	• Leopold Joseph & Sons	7	Yorkshire Bank	7
Clydesdale Bank	7	Lloyds Bank	7		
Co-operative Bank	7	Meghraj Bank Ltd	7		
Coutts & Co	7				

• Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

French rates rise

CASH RATES in the french franc money market continued to firm upwards yesterday as dealers took the view that a second battle to save the French franc from devaluation is in prospect, *writes James Blitz.*

The continuing tension in the European exchange rate mechanism pushed the franc below the FFr3.40 level against the D-Mark, some 3 centimes above its ERM floor against the German currency. Tensions were also felt in other European currencies, with the overnight rate for Irish punts rising to 75 per cent, while the cost of borrowing Norwegian krona for 1 day was up at 500 per cent.

UK clearing bank base lending rate 7 per cent from November 13, 1992

However, the growing strains on the French franc may threaten the long-term future of the ERM. Three-month money firmed to around 11 per cent from 10$\frac{1}{16}$ per cent on Monday, 1 month money was quoted at 12 per cent, while the overnight rate was up at 11 per cent from 10 per cent the previous day.

French franc futures reflected extreme pessimism about the future of French credit policy. The December french franc contract dropped 52 basis points, to a low of 89.67 yesterday morning. At that level, it prices 3 month francs next month at 10.33 per cent. It later closed higher at 89.74.

The firming of French rates should have no immediate impact on French base rates which have recently been reduced. The French government's large shareholding in the French banking system means that commercial banks will find it difficult to pass on tighter credit conditions in the immediate future.

But one London-based commercial bank dealer said that if the Bundesbank does not cut its officially posted rates soon, France will be faced with a grim choice: "Either they will put up base rates again in the thick of an economic slowdown. Or they will suspend ERM membership." With parliamentary elections looming in March, it is hard to see the French government taking the first course.

German markets continued to reflect faint optimism that the Bundesbank will ease policy, although yesterday's figure for M3 money supply in October makes that an even less likely prospect.

The December Euromark contract rose 8 basis points from its opening level to a close of 91.39.

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.24) 3 months US dollars		6 months US Dollars	
bid [illegible]	offer [illegible]	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6	One month	3.07	Three year	5.19
Broker loan rate	5	Two month	2.99	Five year	6.07
Fed.funds	2¾	Three month	3.33	Seven year	6.48
Fed.funds at intervention	-	Six month	3.54	10-year	6.85
		One year	3.74	30-year	7.58
		Two year	4.69		

Nov 24	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.75-8.90	8.80-8.90	8.80-8.95	8.80-8.90	8.45-8.60	9.50
Paris	9¼-9½	10⅞-11¼	-	10⅛-10⅜	-	9.10
Zurich	6¼-6½	6¼-6½	-	6¼-6½	-	-
Amsterdam	8.60-8.75	8.62-8.75	-	8.62-8.69	-	-
Tokyo	-	-	-	-	-	-
Milan	13¼-13¾	14¼-14½	-	14⅛-14⅜	-	-
Brussels	8¾-9¼	8⅝-8⅞	-	8⅝-8⅞	-	-
Dublin	35-40	22-27	17-20	15-18	13¼-14¼	-

LONDON MONEY RATES

Nov 24	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	7	7	7⅛	7¼	7	6⅞
Interbank Bid	6	6½	7⅛	7⅛	6⅞	6⅞
Sterling CDs	-	-	7⅛	7⅛	6⅞	6⅞
Local Authority Deps.	6⅞	7	7⅛	7⅛	7	6⅞
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	6⅞	6⅞	-	-	-	-
Company Deposits	-	-	-	-	-	-
Finance House Deposits	-	-	7⅛	7⅛	6⅞	6⅞
Treasury Bills (Buy)	-	-	6⅞	6$\frac{11}{16}$	6½	-
Bank Bills (Buy)	-	-	6⅞	6$\frac{11}{16}$	6⅞	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	3.12	3.30	3.56	3.96
SDR Linked Dep Offer	-	-	5⅛	5⅛	5½	5⅛
SDR Linked Dep. Bid	-	-	5⅛	5⅛	5⅛	5⅛
ECU Linked Dep Offer	-	-	10⅝	10⅛	9½	9⅜
ECU Linked Dep. Bid	-	-	10⅛	10	9⅜	8⅞

Treasury Bills (sell): one-month 6⅞ per cent; three months 6$\frac{11}{16}$ per cent; six months 6½ per cent; Bank Bills (sell): one-month 6$\frac{13}{16}$ per cent; three months 6⅝ per cent; Treasury Bills: Average tender rate of discount 6.4477. ECGD Fixed Rate Sterling Export Finance. Make up day October 30, 1992. Agreed rates for period November 25, 1992 to December 25, 1992, Scheme I: 9.77 p.c., Schemes II & III: 9.63 p.c. Reference rate for period October 1, 1992 to October 30, 1992, Scheme IV&V: 8.454 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9½ from November 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 4¼ per cent; one-three months 7 per cent; three-six months 6½ per cent; six-nine months 6¼ per cent; nine-twelve months 6 per cent; Under £100,000 4¼ per cent from Oct 20, 1992. Deposits withdrawn for cash 4 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

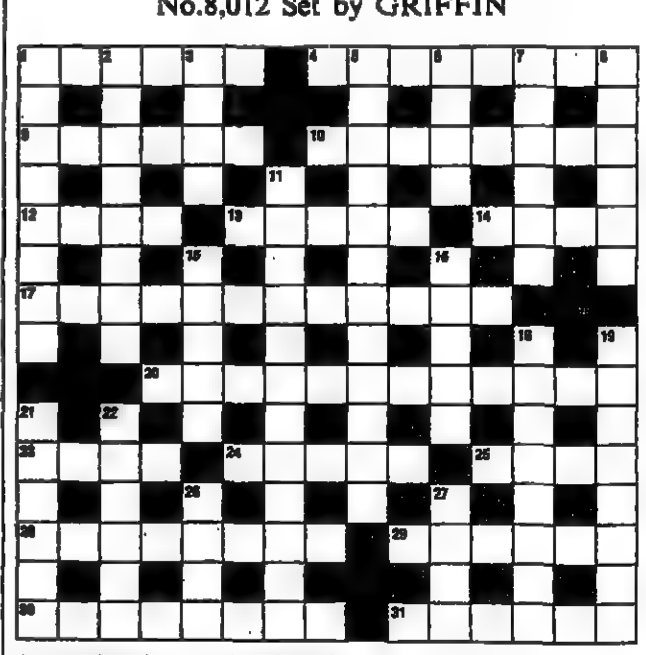
[illegible]

Money Market Bank Accounts

[illegible]

CROSSWORD

No.8,012 Set by GRIFFIN

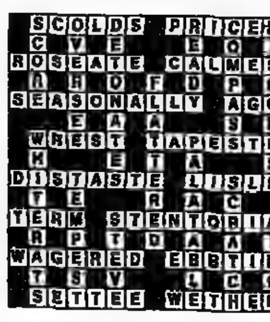


Across clues have no definition but the answers have a common theme. Down clues are normal.

ACROSS
1 An odd threat (6)
4 Very big copper catalogue is enclosed (8)
9 Removing both ends break through (6)
10 People having a name (8)
12 Note in pocket (4)
13, 28 Do take charge of the meeting, chaps! (5,8)
14 Sobs uncontrollably (4)
17 Fancy woman going after job! (12)
20 The classroom needs rebuilding (12)
23 One taking bananas round (4)
24, 25 Hands taxi in first (5,4)
28 See 13 across
29 Some 50% will be out of bed (6)
30 Sons following mum to work (8)
31 Only needing initials James Upton deliberately gets every signature (6)

DOWN
1 Warner gets to sing and dance (8)
2 Vicar returns in tears, distraught and cross (8)
3 First woman to name square (4)
5 Crooked men crucial to defendant's response? (12)
6 Woman, 51, to lay Asian leader out (4)
7 Division of cold store crumbling externally (6)
8 Most sensible form of assent (6)
11 Go by "I only eat salad fervently!" (12)
15 Discharge many during strike (5)
16 Deducting a pound less, always on paper (5)
18 Beginning to pipe bitter in! (8)
19 Vessels an inexperienced student used during rest break (8)
21 Garments including male hose (6)
22 Ring newspaper if retiring as noted groom (6)
26 On the way back Jack's dull (4)
27 Colour inside apple crumble (4)

Solution to Puzzle No.8,011



WORLD STOCK MARKETS

CANADA

TORONTO

3 pm November 24

Quotations in cents unless marked $

INDICES

THAILAND

Bangkok SET (30/4/75) 859.43 875.07 871.72 834.17 963.03 (5/11) 667.84 (19/5)

WORLD

M.S. Capital Intl.(1/1/70) (c) 485.4* 484.9 487.4 486.6 542.10 (7/1) 467.50 (8/4)

Euro Top-100 (26/6/90) 845.30 843.59 849.71 840.38 976.55 (25/5) 772.52 (5/10)

**Saturday November 21: Taiwan Weighted Price: 3,711.71, Korea Comp Ex. 654.08.
¶ Subject to official recalculation. *Calculated at 15.00 GMT

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX–1,000, JSE Gold–255.7, JSE 25 Industrials–264.3 and Australia All Ordinary and Mining–500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Tuesday, November 24, 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Daiwa House Ind	3.2m	1,330	+20	Hitachi	2.4m	704	-6
Nippon Jutaku	3.0m	267	+7	Mitsubishi Heavy	2.4m	530	+1
Sumitomo Heavy	2.9m	410	+8	Kaken Pharm	2.2m	1,450	-10
SS Pharm	2.8m	1,240	+10	Gajoen Kanko	1.9m	147	+20
Mitsui Min & Sml	2.5m	480	-1	Ricoh Co	1.7m	577	+1

3 pm November 24

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	11	AAR Corp	0.48	4.1	19	216	11⅞	11⅝	11¾	+⅛
26½	18	A L Labs A	0.18	0.8	133	801	21⅝	21	21⅝	+⅜
69¾	52⅝	AMP Inc	1.52	2.7	21	2470	57¼	56	57¼	+1
80¼	54⅞	AMR				122593	63¼	61⅞	62⅞	+1¼
2⅞	1⅞	ARX			11	6	1⅞	1⅞	1⅞	-⅛
53½	30⅝	ASA x	2.00	6.5	20	134	31	d30⅝	30⅞	
34⅛	26⅛	Abbott Lab	0.60	1.9	22	4461	31⅞	31	31½	+⅜
13⅞	10⅞	Abitibi Pr	0.40	3.8	5	105	10⅝	10½	10½	
11⅝	10⅛	ACM Gvt In	1.01	9.3		83	10⅞	10⅞	10⅞	+⅛
10⅜	9⅛	ACM GvOpp	0.87	9.2		73	9½	9⅜	9½	+⅛
9⅛	8½	ACM Gvt Sp	0.79	8.9		495	8⅞	8⅝	8⅞	+⅛
11⅜	10⅛	ACM Gvt Se x	1.01	9.5		197	10⅝	10⅝	10⅝	
10⅝	8⅝	ACM Man	1.00	10.0		250	10⅛	9⅞	10	
12⅞	9	ACM Managd	1.09	11.8		114	9⅜	9⅛	9⅛	
11⅛	4⅞	Acme Cleve	0.40	4.5	16	351	8⅞	8⅝	8⅞	+⅛
9⅛	3⅞	Acme Elect			95	56	4⅝	4½	4⅝	+⅛
33⅛	14⅞	Acuson			13	1329	17⅝	16⅞	17⅝	+½
21	19⅛	Adams Expr	1.62	8.5	0	68	19⅛	19⅛	19⅛	-⅛
49⅛	29½	Ad Micro x	3.00	6.7		823	45	44⅞	44⅞	+2⅛
21½	7½	Ad Micro P	3.00	16.6		84541	18⅜	18½	18⅛	-⅛
9⅛	4⅞	Advest Grp	0.16	2.7	12	45	6⅛	5⅞	6	
42⅞	33	Aegon ADR	1.35	3.3	7	63	41	40⅞	40⅞	+⅛
47	38	Aetna Lf	2.76	6.4	12	1435	43⅛	43	43⅛	+⅛
12⅞	8⅞	AHR A	0.24	2.1	13	466	11⅞	11½	11⅝	-⅛
34	24	Aflac	0.44	1.5	14	774	30⅜	29⅞	30⅛	-⅛
19⅞	13	Ahmanson	0.88	5.8		71986	15⅛	14⅞	15⅛	+⅜
22½	4	Aileen Inc			14	1425	8⅜	7⅞	8⅛	+⅛
49½	38½	Air Pr Chm	0.88	1.8	19	1321	47⅝	45½	47⅝	+1⅞
29⅞	12½	Airbne Frt	0.30	1.6	102	289	18⅞	18⅛	18½	+⅛
40⅛	22⅝	Airgas Inc			29	200	37⅞	37	37⅞	+1⅛
12⅞	8⅛	Airlease	1.68	15.4	8	101	11	10⅞	10⅞	-⅛
104	99½	AlaPw8.16 x	8.16	8.2		2	100	d99½	99½	+6⅜
106	100⅛	Alab 8.28C x	8.28	8.1		2	104	104	102	+6⅞
11⅛	10½	AlaPwDpPf x	0.87	8.3		12	10½	d10½	10½	+½
23⅞	14⅞	Alaska Air	0.20	1.3	4	301	16	15⅞	15⅞	-⅛
21⅛	11⅛	Albany Intl	0.36	2.5	68	61	14⅛	14	14⅛	+⅛
32	21⅛	AlCulvr B	0.24	1.0	17	91	23⅛	22⅞	23⅛	+½
25⅛	19⅝	AlCulvr A	0.24	1.1	18	77	22⅛	21⅞	21⅞	
47½	36⅛	Albertsons	0.64	1.3	28	5484	u49	48⅛	48½	+1⅞
22⅞	15⅛	Alcan Alum x	0.30	1.9	33	3401	16⅝	15⅞	15⅝	+⅛
42⅞	33⅛	Alco Stand	0.98	2.7	18	650	36⅛	35⅛	36	+⅛
23⅛	14⅞	AlexBrown	0.50	2.6	5	143	19⅝	19⅜	19½	
27⅞	18	Alexr Alex	1.00	3.8	94	188	26½	26	26½	+½
38⅝	27½	Allegh Lud x	0.88	2.9	18	259	30⅝	29⅞	30⅛	+⅛
48⅝	41½	Allegh Pow	3.20	6.8	13	316	47½	47⅛	47⅛	
31	22⅞	Allen Gp	1.75	5.9		25	29⅞	29⅝	29⅞	
30	18⅞	Allen Con	0.20	0.8	16	15	24⅞	24½	24⅞	+⅛
27⅛	20⅞	Allergan x	0.40	1.6	17	800	25⅛	24½	25	+½
39⅛	28⅞	Allnce Cap	2.51	7.3	13	442	34½	33⅞	34⅜	+1½
12½	9⅛	Allnce Gl	0.18	1.9		226	9⅝	9½	9⅝	-⅛
21⅛	18⅛	Ald Irish x	0.95	5.0	12	2100	18⅞	d18⅛	19	+⅞
61⅛	40⅞	Alld Sig x	1.00	1.8	14	1163	56⅛	54⅞	55⅝	+⅞
11⅜	9⅞	AlstMunTr	0.78	7.3		103	10⅝	10½	10⅝	+⅛
9⅞	7½	AlstIncOp	0.63	8.0		367	8	7⅞	7⅞	-⅛
10½	8⅛	AlstMnInc	0.72	8.1		99	8⅞	8⅛	8⅞	+⅛
10⅛	8⅞	AlstMnInc	0.81	8.6		78	9⅜	9⅛	9⅜	-⅛
47⅞	34⅛	Alltel Crp	1.60	3.4	18	298	47⅝	47⅛	47½	
8⅞	5	Allwaste			19	662	6⅞	6⅛	6⅞	
80⅝	61	Alcoa	1.60	2.4	15	81539	67⅞	66½	67⅛	+⅞
56⅛	33½	Alza Cp A			69	1668	40⅛	39⅞	39⅞	-⅛
11½	10⅛	AmGovInc	0.96	8.7		243	11	10⅞	11	+⅛
8½	6½	Am Precis	0.22	2.9	17	81	7⅞	7⅞	7⅞	
22⅛	15	Amax	0.80	5.0	23	3116	16⅛	15⅞	16⅛	+⅛
12½	8	Amax Gold	0.08	1.0	34	272	8	d8	8	
⅞	⅛	Ambase Cp			0	465	⅛	⅛	⅛	
25	11⅝	Amcast Ind	0.48	2.9	9	20	16⅝	16⅛	16⅝	
51⅛	36⅝	Amerada Hs	0.60	1.3	60	1916	46⅛	45⅛	45⅞	-⅛
10⅞	10	Am Adj R	0.88	8.7		26	10⅛	10⅛	10⅛	-⅛
31⅛	22⅛	Am Barrick x	0.13	0.5	28	4890	27⅝	26⅞	26⅞	-⅞
48⅞	38	Am Brands	1.97	4.8		93314	41½	41	41⅜	+⅛
20⅛	15⅞	Am Build M	0.50	2.7	13	10	18⅛	18⅛	18⅛	
31⅛	22⅞	Am Bu Pwd x	0.70	2.8	12	36	24⅞	24⅞	24⅞	+0.33
8⅝	7⅛	Am Cap Inc x	0.83	10.7		83	7⅞	7⅞	7⅞	-⅛
21⅞	18⅞	Am Cap Bd	1.88	9.5	24	90	20⅛	19⅞	19⅞	-⅛
20⅞	18½	Am Cap CV	1.18	5.8	0	9	20	19⅞	20	
66⅛	52⅛	Am Cyanamid x	1.65	2.9	13	902	56⅞	56½	56⅛	+⅛
35⅛	30⅞	Am El Powr	2.40	7.7	13	1033	31⅞	31⅛	31⅛	-⅛
24⅞	20	Am Express	1.00	4.4	19	7866	23	22⅛	22⅛	+⅞
52⅛	40⅛	Am Genl Co	2.06	3.9	11	2235	u53	52	53	+1
9⅛	8	Am Govt In	0.77	8.9		147	8⅝	8½	8⅝	
37	19⅛	Am Hlth Pr	2.84	13.9	34	416	20⅞	20	20½	-⅛
32½	23	Am Heritge	0.84	2.8	14	9	30⅝	30⅝	30⅝	-½
84⅛	63⅛	Am Home Pr	2.84	4.0	14	4285	71	69⅞	70⅞	+⅞
3⅞	1⅞	Am Hotels	0.75	37.5	200	41	2⅛	2	2	
118⅛	82	Am Int Gr	0.58	0.5	15	2487	112⅞	110⅝	112⅞	+⅝
2⅛	⅞	Am Intml			0	1505	⅞	⅞	⅞	-⅛
5⅞	⅞	Am Intl Pf	2.00	177.8		11	1⅛	1⅛	1⅛	-⅛
12½	10⅞	Am Opp Inc	1.14	9.8		178	11⅝	11½	11⅝	
46	30⅛	Am Presdn	0.60	1.5	8	216	39⅞	39⅛	39⅛	-⅛
10⅞	8⅞	Am Real Es	1.25	16.9	7	36	7⅞	7⅞	7⅞	+⅛
5⅛	⅞	Am Ship Bd			0	38	2	1⅞	1⅞	-⅛
42⅝	30½	Am Stores	0.70	1.6	19	880	u43⅝	43⅛	43⅝	+1⅛
47⅞	38⅞	AT&T	1.32	2.8	16	11299	47⅛	47⅛	47⅞	-⅛
20	18⅛	Am Wat 5%	1.25	6.6		5	19	19	18⅞	-½
26⅞	20⅞	Am Watr	0.92	3.7	12	120	25⅛	25	25⅛	+⅛
70⅛	46⅛	Ameritech	3.52	5.1	15	2686	68⅞	67⅞	68⅛	+1⅛
36½	29	Ameron Inc	1.28	3.8	17	66	34⅛	33⅞	33⅞	-⅛
2⅛	⅞	Ames Dt St			0	435	⅞	½	⅞	
18⅛	13⅛	Ametek Inc	0.68	4.4	15	349	15½	15⅛	15½	+⅛
11⅞	10⅞	Amev Sec x	1.03	9.1	1	10	11⅛	11⅛	11⅛	+⅛
53⅛	41⅛	Amoco	2.20	4.4	33	3862	50⅞	49⅞	50⅛	+⅞
8⅞	5½	AmpcoPitt	0.30	5.0	20	87	6⅛	5⅞	6	-⅛
12⅞	4⅛	Amre Inc	0.12	2.6	22	577	5	4⅞	4⅞	
31⅞	21⅛	Amsouth	1.16	3.9	12	181	30⅛	29⅞	30⅛	-⅛
6⅞	3	Anacomp			9	1011	4⅛	3⅞	3⅞	-⅛
32⅞	18½	Anadarko	0.30	1.1	86	1020	28⅝	28⅛	28⅞	-½
13⅛	6⅝	Analog Dev			140	8275	u14⅛	13	14	+1⅛
40	22⅛	Angelica	0.92	3.8	12	187	24⅞	24	24⅛	+⅛
60⅛	51⅛	AnheusBsch	1.28	2.2	16	3027	59½	58½	59⅞	+⅛
28	26⅛	ANR PpePf	2.68	9.8		2	27	27	27	
47⅞	31⅛	Anthem			16	298	36⅞	36⅛	36⅞	+⅛
14⅛	10	Anthony In	0.44	3.8	15	34	11⅝	11½	11½	-⅛
51⅛	39⅛	Aon Corp	1.88	3.3	13	252	50⅞	49⅞	50⅞	+⅞
22⅛	12	Apache Crp	0.28	1.4	17	1724	19⅞	19½	19½	-⅛
17⅛	8⅞	Apex Mun F	0.87	8.7		1185	10	9⅞	10	+⅛
10⅞	6⅛	APH			76	317	6½	6⅛	6½	+⅛
103	95½	AppalPwPf	8.12	8.5		5	96⅛	96⅛	96⅛	
10½	5	Appld Mag			56	866	10⅛	9⅞	10⅛	+⅛
17	13⅞	Appl Pw A x	0.12	0.8	19	212	14⅛	14⅛	14⅛	
31⅛	22	ArcherDan	0.10	0.4	17	3197	27⅛	26½	27	+⅛
47⅛	38⅝	Arco Cheml	2.50	5.7	19	111	43⅞	43⅛	43⅞	+½
12⅞	8⅞	Arkla x	0.28	3.2	96	2161	8⅞	8⅛	8⅞	+⅛
40⅛	29½	Arkla Pf x	3.00	8.5		181	35⅞	35	35⅛	
46⅛	32⅛	Armco 4.5P x	4.50	10.7		5	41⅞	41⅝	41⅞	+½
7⅞	4⅞	Armco Inc				11164	5⅞	5⅝	5⅛	+⅛
25	19	Armco 2.1P x	2.10	9.7		7	21⅞	21½	21⅞	+½
37½	24½	Armstrong	1.20	4.4	17	891	27⅞	26½	27⅞	+⅞
30⅛	14½	Arrow Elec			17	1139	27⅞	27⅞	27⅞	-⅛
11⅛	4⅛	Artra Grp			1	30	4⅞	4⅞	4⅞	-⅛
29⅞	20⅛	Arvin Ind	0.76	2.7	17	555	28⅛	27⅞	28⅛	+⅛
31⅛	19⅛	Asarco Inc	0.80	3.4	22	642	23⅝	22⅞	23⅛	+½
38	23⅛	Ashld Coal x	0.40	1.5	13	396	27⅛	27	27⅛	+⅛
34	22⅛	Ashlnd Oil x	1.00	4.0	21	801	24⅞	24⅛	24⅞	+⅛
17	12⅛	Asia Pac F	1.82	12.0		31	15⅛	15⅛	15⅛	-⅛
14⅛	6½	Asset Invt	1.80	22.9	6	139	8	7⅞	8	+⅛
35	18⅞	Atl Nt Gas	0.12	0.4	37	96	30⅞	30⅛	30⅛	
16½	12⅛	Athlone	1.00	7.5	13	52	13⅛	13⅛	13⅛	+⅛

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

1992 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
37¼	24⅞	Xtra 1.94	1.94	5.1		55	u38	36½	37⅞	+⅞
51½	28⅝	Xtra Corp	0.80	1.5	15	783	u52⅛	50½	52½	+2⅛
30⅝	25¼	Yankee Egy	1.68	6.1	12	77	27⅜	27	27¼	+⅛
1½	½	Zapata			25	326	1	15/16	1	
11⅛	6	ZenithElec			1	614	5⅞	5⅝	5⅞	
19½	14½	Zenith Nat	1.00	5.1	6	55	19⅝	19½	19½	
7½	6	Zenix Inc x	0.83	12.8		38	6⅝	6½	6½	
13¾	10	Zero Corp	0.40	3.0	20	63	13⅜	13⅛	13⅛	−⅛
38	27¼	Zurn Ind	0.88	2.4	42	156	37¼	36¾	37⅛	+⅛
14⅛	12	Zweig Fund	1.12	8.8		379	13	12⅞	13	
11	9½	Zweig Totl	0.96	9.6		445	10	9⅞	10	..

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3 pm November 24

[illegible]

NASDAQ NATIONAL MARKET

3 pm November 24

[illegible]

AMERICA

Dow rallies on strong durable goods orders

Wall Street

US stock markets rallied strongly in heavy trading yesterday on unexpectedly good economic news, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was up 35.12 at 3,258.16, near its highs for the morning session. The more broadly based Standard & Poor's 500 was also markedly firmer at the halfway stage, up 3.60 at 428.72, while the Amex composite put on 0.43 at 391.15 and the Nasdaq composite climbed 5.56 to 644.40, to within a fraction of its all-time high of 644.92, set in February this year. Turnover on the NYSE was high at 143m shares by 1 pm, and rises outpaced declines by 1,006 to 603.

After a relatively quiet opening, prices moved as the Commerce Department said that durable goods orders in October rose by 3.9 per cent, and the Conference Board that its index of consumer confidence had climbed from 54.6 in October to 65.5 in November.

Both were much more positive about the economy than analysts had been expecting. Investors were initially hesitant about responding to the durable goods orders report – one of the most unreliable of the monthly indicators, and heavily affected by volatile defence and civilian aircraft orders – but the consumer confidence numbers were more convincing.

Cyclicals and other blue-chips posted especially big gains. International Paper rose $1½ to $62⅛, IBM climbed $1⅜ to $64⅝, Procter & Gamble put on $⅝ at $54⅛, Caterpillar rose $¾ to $53⅞ and Minnesota Mining & Manufacturing firmed $1½ to $102.

The effects of some of Monday's big corporate announcements continued to wash through the market. Martin Marietta, which rose sharply on Monday on news of its $3.05bn acquisition of General Electric's aerospace interests, suffered a reaction, dropping $⅞ to $61⅞. GE, which had also risen on the news, fared better, firming $¼ to $82⅝.

Westinghouse was another stock to run into profit-taking. Following a big rise on Monday's major restructuring news, the industrial conglomerate fell $⅝ to $11¼, erasing only a small part of Monday's advance.

Joy Technologies dropped $1 to $10 after the company warned that third quarter results would come in well below analyst's forecasts, which ranged between 25 cents a share and 81 cents a share.

On the Nasdaq market, Dell Computer rose $1¼ to $35¼ on the news that the Securities and Exchange Commission is looking into recent trading patterns in the stock, particularly the gains that followed its earnings last week, and the sharp losses which came after Kidder Peabody, the broking house, issued a report raising questions about improper accounting of foreign currency trading activities at Dell.

Canada

TORONTO refused to match Wall Street at midday and the TSE composite index rose only 3.64 to 3,261.90.

PWA Corp fell 24 cents to C$1.21 and traders said that a federal government promise to provide the company with up to C$50m in financial aid was not enough to support the share price.

Sweden savours delights of devaluation

Many believe that the revival has much further to go, writes **Christopher Brown-Humes**

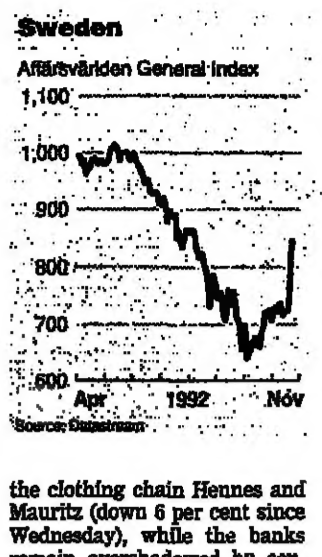
Nothing does more to get a stock market going than an unexpected devaluation, as Sweden has become the latest European country to demonstrate.

Swedish equities have climbed by 13 per cent since the krona was floated last Thursday, and such was the excitement on Friday that turnover more than doubled to SKr2.7bn (over $400m), some five times its level of a week earlier. It slipped back to SKr916m yesterday.

Many believe the revival has further to go. They suggest that in the next two months the Affärsvärlden General index, which closed at 841.3 yesterday, may yet be able to climb back to the 912 level at which it began the year, or even to the 1,000 mark which it touched briefly in May.

Even for foreign investors, this would be adequate compensation for the effective devaluation of the krona against the dollar of 11 per cent to date. The atmosphere of sudden hope marks a dramatic change from the mood of late summer and early autumn when high interest rates, gloom about the state of the domestic economy and the general world recession saw the Affärsvärlden sink 37 per cent in just under five months to October 5.

The major beneficiaries of the recent rally have been the export-orientated multinationals, the weaker krona improving their competitiveness sharply. No sector has performed better than forestry, now felt to be back on level terms with rivals which benefited from the weak dollar and a devalued Finnish markka earlier in the year. The forest index has soared more than 30 per cent since the krona floated, climbing by a massive 19 per cent on Friday alone.



Yet if Friday saw virtually all shares swept higher in an indiscriminate buying spree, more selective buying has since become the pattern, and profit-taking has set in. Some companies are not beneficiaries of a devaluation, such as the clothing chain Hennes and Mauritz (down 6 per cent since Wednesday), while the banks remain overshadowed by concerns about the size of their credit losses and have rallied only marginally.

In the short term, the market may well see a correction. There has still been no formal relaxation of interest rates and the impression is growing that Sweden is going to maintain a tight monetary policy to protect its currency from weakening further and to hold down inflation. Indeed, the central bank's overnight lending rate remains at 12.5 per cent, one percentage point higher than last Wednesday. There could also be an adverse effect on sentiment if Finland goes ahead with a planned general strike on Thursday.

But the feeling persists that December and January will be good months for the bourse. One reason is past experience has shown that a devaluation is a good time to buy shares. Another is that there was a lot of pent-up demand after the gloom of the summer and early autumn – hence the record volumes which the bourse has seen in recent days. Swedish buyers are now strongly back in the market, and foreign institutions have become net buyers again after a summer lull.

"The Swedish stock market has decoupled itself from the state of the domestic economy, because we are seeing foreign investors buying shares in internationally-orientated companies," says Mr Björn Karlin, chief executive of the Swedish Association for Share Promotion. He notes that share prices were already starting to move upwards, even before the flotation took place, because of the weight of foreign buying in the market.

For the pessimists, however, there is still plenty to worry about. Economic fundamentals have not altered, with 1993 expected to be the third consecutive year during which Swedish GNP falls. The budget deficit continues to grow and further austerity measures are expected. The banking system remains in crisis.

Internationally, currency instability persists while Germany, Sweden's largest export market, is facing an economic downturn. In other words, the mood of buoyancy is all too prone to a setback until there is firmer evidence of Swedish and world economic recovery.

EUROPE

Bourses end mixed after intraday recovery

A DAY of grief in a number of early-closing markets was balanced later when Wall Street responded to an improvement in consumer confidence, *writes Our Markets Staff.*

FRANKFURT ended yesterday's floor trading with the DAX index at the day's low of 1,510.28, down 20.61, reflecting interest rate and currency worries and poor performances from the car maker, Volkswagen, and the steel group, Thyssen. Turnover rose from DM3.8bn to DM4.6bn.

Interest rate hopes foundered on M3 growth of 10.2 per cent in October against 9.3 per cent in September and a Bundesbank target of 3.5 to 5.5 per cent for 1992. Cyclicals weakened on an easier dollar and Germany's worsening terms of trade with many of its European partners.

Automotive producers and component makers all weakened, but Volkswagen had the worst of the session with a fall of DM17 or 6 per cent to DM268.50 on lower nine-month profits and a forecast of a dramatic worsening in the fourth quarter. The shares recovered to DM271 in London in the afternoon on short-covering.

In a weak steels sector, Thyssen fell DM5.30 to DM158.70 on expectations of a dividend cut when it produces its 1991-92 figures tomorrow.

Karstadt fell DM13 to DM504 and dragged other retailers down with it on a forecast of lower 1992 profits. Bayer continued to suffer from Monday's news of a sharply lower third quarter, ending DM6.30 lower at DM248.50.

PARIS jumped 2.7 per cent on bargain-hunting on the first day of the December trading account, historically a good account as fund managers indulge in some year-end window-dressing. Investors were also encouraged by much better than expected third quarter GDP data which showed a rise of 0.4 per cent, compared with expectations of a rise of just 0.1 per cent. The CAC-40 index closed 45.84 higher at 1,720.61 in steady turnover of FFr2.4bn.

Dealers believed that some players were buying the market in the hope that a devaluation in the franc which prompt a rally in share prices. The Bank of France was reported to have intervened in the currency market yesterday to prevent the D-Mark rising above FFr3.40.

Among active risers, Euro Disney recouped FFr2 to FFr63.50 after its recent drop to a record low and Elf put on FFr13.10 to FFr323.70.

MILAN fell further as buying interest dried up but dealers reported some demand just before the close which lifted share prices off the day's lows. The Comit index fell 15.54 to 446.45 in turnover estimated at around L224.3bn.

Sme, the state-controlled food company, was fixed L38 lower at L5,361 as a number of speculators sold out, taking the view that it would be some time before the company was privatised. But the stock reached a high of L5,695 after hours. Banca Commerciale Italiana, another privatisation candidate, fell L18 to L4,501.

Dealers said Generali's performance reflected the market's volatility as the stock dropped L1,080, or 3.7 per cent to L28,400.

Nordic markets were a study in contrasts. **HELSINKI** climbed 3.2 per cent, the Hex index closing 25.1 higher at 810.1 on hopes that a nationwide strike could be avoided. **OSLO** slipped on renewed worries that Norway would be forced to devalue the crown, the all-share index closing 2.07 lower at 346.68 in turnover worth NKr215m. **COPENHAGEN** dropped 1.8 per cent, the CSE index ending 4.59 down at 257.44 on fears that the strong Danish line on maintaining the parity of the Danish currency would rebound on equity prospects.

AMSTERDAM finished mixed as the CBS Tendency Index closed at 102.3, down 0.3. Unilever fell Fl 2 to Fl 180.70 on news that its co-chairman Mr Floris Maljers said he saw no improvement in trading conditions in the near term.

ZURICH staged an intraday recovery to close with the SMI index 12.5 easier at 1,879.1, some 10 points above the day's low. Similarly, late buying lifted **MADRID** off its lows but the general index still dropped 1.82 to 210.22 as turnover thinned to Pta11bn from Pta17bn on Tuesday and more than Pta30bn late last week.

VIENNA continued its slide with a fall of 1.2 per cent, the ATX index closing 9.23 lower at 769.64. Austrian Airlines fell nearly 5 per cent or Sch81 to Sch1,699 as domestic and foreign investors moved out.

FT-SE Actuaries Share Indices

November 24 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1029.95	1030.91	1029.84	1032.31	1033.87	1033.89	1036.15	1038.83
FT-SE Eurotrack 200	1104.70	1103.91	1102.32	1105.25	1105.93	1107.68	1108.53	1110.69

	Nov 23	Nov 20	Nov 19	Nov 18	Nov 17
FT-SE Eurotrack 100	1038.38	1051.29	1047.93	1051.36	1056.32
FT-SE Eurotrack 200	1110.18	1117.40	1110.78	1106.59	1109.66

Base value 1000 (26/10/90) Highday: 100 - 1039.01; 200 - 1110.87 Lowday: 100 - 1029.10 200 - 1101.83

SOUTH AFRICA

JOHANNESBURG was lifted by demand for quality shares but short-selling by dealers took some prices off earlier peaks. The industrial index rose 10 to 4,076, the overall index added 11 to 3,058 and the gold index firmed 8 to 773.

ASIA PACIFIC

Nikkei closes below day's high as volume stays low

Tokyo

THE opening of parliamentary budget debates coupled with active buying by public funds sent the Nikkei average higher for the fourth consecutive trading day, *writes Emiko Terazono in Tokyo.*

The Nikkei advanced 62.49 to 17,096.09, after a day's high of 17,246.84 in the morning on buying by public funds, investment trusts and arbitrageurs, and a low of 17,080.04 on arbitrage-related selling and profit-taking.

Trading remained slow following Monday's holiday and volume fell to 200m shares from 293m. Advances led declines by 650 to 291, with 185 unchanged. The Topix index of all first section stocks rose 4.98 to 1,281.89 and, in London, the ISE/Nikkei 50 index fell 2.00 to 1,025.82.

Traders said that activity was subdued ahead of the last trading day for the November settlement period today. However, sentiment is expected to remain stable now that the interim earnings announcement season is almost over and debates on the supplementary budget have resumed.

Mr Yasuo Ueki at Nikko Securities said that in the near term the Nikkei average will probably move between 16,700, the 100-day moving average, and 17,800, the 200-day moving average.

Housing companies were popular on the recent rise in demand for cheaper houses. Daiwa House Industries, the most active issue of the day, rose Y20 to Y1,380. Misawa Homes rose Y20 to Y1,070 and Nippon Housing Loan, the housing loan company, gained Y7 to Y287 on bargain-hunting.

High-technology issues were mixed. Hitachi fell Y6 to Y704 and Toshiba lost Y1 to Y608 on profit-taking but Fujitsu gained Y4 to Y535 and TDK gained Y50 to Y3,480.

Aids-related issues were sought by dealers. Hitachi Chemical gained Y100 to Y950 on reports that it had developed a new anti-Aids agent with a Japanese university. SS Pharmaceutical rose Y10 to Y1,240 and Meiji Milk Products by Y2 to Y923.

Road construction companies were higher on prospects of an increase in road projects. Nippon Hodo rose Y30 to Y2,070 and Maeda Road Construction gained Y60 to Y2,740.

In Osaka, the OSE average gained 95.61 to 18,376.07 in volume of 17.7m shares. Steel issues firmed on hopes of lower interest rates.

Roundup

The region put up a mixed performance yesterday.

AUSTRALIA closed slightly higher as optimism continued. The All Ordinaries index rose 3.7 to 1,450.2, off a peak of 1,454.3.

Heavy trading in Westpac's new shares and options and in Sagasco boosted turnover to $383.7m from A$234m. Westpac new shares rose 12 cents to A$2.89 while the ordinary shares added 10 cents to A$2.90. Sagasco traded in 41.4m shares worth A$108.1m as Santos bought up a 19.9 per cent stake. Sagasco closed 9 cents lower at A$2.45 while Santos rose 11 cents to A$2.45.

HONG KONG finished sharply higher on bargain-hunting aimed at "China concept" issues. The Hang Seng index rose 77.55 or 1.3 per cent to 5,972.52 as turnover rose to HK$2.52bn from HK$1.91bn.

HSBC topped the most active list and fell 50 cents to HK$60.5, followed by Telecom which jumped 20 cents to HK$9.80.

NEW ZEALAND ended a buoyant day higher with the NZSE index up 17.2 at 1,474.05 in moderate turnover of NZ$28m.

Agriculture stocks remained firm in the wake of progress on the Gatt trade talks. Tasman Agriculture added 10 cents to NZ$4.30, while Apple Fields rose 2 cents to $2.22.

SINGAPORE ended mixed as profit-taking alternated with selective buying. The Straits Times Industrial index ended 0.13 higher at 1,419.34 in volume of 94.7m shares against 147.6m on Monday.

SEOUL fell on local selling of Kepco shares, and the composite index, which opened 8.71 higher, ended 14.41 lower at 655.05 in turnover of Won755.99bn after Won844.75bn.

Kepco, which has risen by up to 150 per cent over the past few months before being made available to overseas investors for the first time yesterday, fell Won900 to Won23,400.

TAIWAN's weighted index closed 11.29 lower at 3,687.22 in thin turnover of T$6.5bn against T$9.4bn. Hualon preferred stock rose T$1.50 to T$76.50; the Hualon group head, Oung Ta-ming, registered last week to run in the December elections.

BANGKOK's SET index fell 15.64 or 1.8 per cent to 859.43 in thin turnover of Bt4.62bn, as investors remained nervous following the crackdown on a major investor.

KUALA LUMPUR closed off the day's highs on profit-taking, and the composite index fell 1.71 to 642.08 after an earlier high of 644.89. Volume rose to 271.5m shares from 241.4m. Wembley Industries added 49 cents to M$2.22 on rumours of a takeover. It was the most active counter with 26.1m shares traded.

BOMBAY's BSE index rose 16.39 to 2,546.86 on scattered short-covering ahead of the end of the account tomorrow.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY NOVEMBER 23 1992								FRIDAY NOVEMBER 20 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	115.32	+2.7	112.59	90.50	96.05	112.25	+2.9	4.25	112.29	109.49	88.12	93.03	109.06	153.68	108.18	153.23
Austria (19)	140.46	-0.9	137.14	110.24	116.99	116.57	-0.1	2.41	141.69	138.16	111.20	117.39	117.10	186.70	128.51	173.92
Belgium (42)	135.05	-1.2	131.85	105.97	112.48	109.74	-0.8	5.61	136.70	133.29	107.27	113.25	110.57	152.27	134.41	135.93
Canada (113)	112.13	-0.8	109.48	87.99	93.38	104.29	-0.2	3.33	112.98	110.16	88.66	93.59	104.51	142.12	111.36	136.74
Denmark (34)	186.14	-2.5	181.74	146.08	155.03	157.41	-2.1	1.73	190.82	186.06	149.75	158.08	160.84	273.94	184.18	258.52
Finland (15)	65.12	-1.8	63.58	51.11	54.24	69.91	-1.4	2.02	66.32	64.67	52.05	54.94	70.92	89.80	52.64	79.03
France (99)	136.93	-3.1	133.69	107.45	114.03	116.79	-2.3	3.86	141.26	137.74	110.85	117.02	119.55	168.75	136.93	141.95
Germany (64)	104.52	-1.3	102.05	82.03	87.05	87.05	-0.8	2.24	105.92	103.28	83.13	87.75	87.75	129.69	102.51	114.30
Hong Kong (53)	238.01	+0.2	232.38	186.78	198.24	236.43	+0.2	3.80	237.56	231.66	186.44	196.83	235.97	262.28	176.38	174.33
Ireland (16)	128.57	+1.6	125.53	100.90	107.08	110.57	+2.4	4.96	126.50	123.34	99.27	104.80	107.93	173.71	122.98	160.99
Italy (77)	58.72	-0.8	57.33	46.08	48.90	60.89	+0.2	3.41	59.18	57.70	46.44	49.02	60.79	80.88	47.47	71.81
Japan (472)	103.19	+0.0	100.75	80.98	85.95	80.98	+0.0	1.04	103.19	100.61	80.98	85.50	80.98	140.95	87.27	135.38
Malaysia (69)	277.38	+0.1	270.82	217.67	231.02	269.84	+0.0	2.43	276.97	270.07	217.35	229.45	269.19	282.42	212.49	208.58
Mexico (18)	1521.77	+0.0	1485.79	1194.25	1267.45	5179.50	+0.0	1.16	1521.77	1483.83	1194.25	1260.73	5179.50	1789.77	1185.84	1323.34
Netherland (25)	148.70	-0.7	145.19	116.70	123.85	122.34	-0.1	4.65	149.75	146.01	117.52	124.06	122.51	169.70	147.68	147.06
New Zealand (13)	39.92	+1.0	38.97	31.33	33.25	41.05	+0.8	5.55	39.53	38.54	31.02	32.75	40.74	48.52	37.39	48.94
Norway (22)	134.99	-3.2	131.80	105.94	112.44	119.46	-2.2	2.03	139.49	136.01	109.47	115.56	122.16	192.95	128.03	177.82
Singapore (38)	195.10	+0.9	190.49	153.11	162.49	147.00	+0.8	2.24	193.42	188.59	151.79	160.23	145.78	229.63	179.65	207.58
South Africa (60)	134.27	-0.8	131.10	105.37	111.83	146.37	+0.1	3.51	135.31	131.94	106.19	112.10	146.23	203.60	134.27	271.99
Spain (46)	113.28	-2.1	110.60	88.90	94.34	99.78	-0.2	6.02	115.75	112.86	90.84	95.89	100.01	161.72	107.10	147.02
Sweden (31)	164.62	+2.3	160.53	133.11	137.03	209.73	-2.5	2.40	160.95	156.94	126.23	133.26	192.66	200.26	149.69	185.27
Switzerland (60)	103.86	-0.8	101.40	81.51	86.51	92.65	-0.3	2.31	104.70	102.09	82.17	86.75	92.65	122.37	95.90	95.57
United Kingdom (227)	164.38	-0.4	160.49	128.99	136.90	160.49	-0.3	4.57	165.06	160.96	129.54	136.75	160.96	200.07	161.86	176.87
USA (522)	173.80	-0.4	169.69	136.40	144.76	173.80	-0.4	2.92	174.47	170.12	136.92	144.55	174.47	174.47	160.92	162.63
Europe (779)	131.36	-1.0	128.25	103.09	109.41	119.25	-0.5	3.94	132.68	129.38	104.13	109.93	119.91	156.68	131.36	141.15
Nordic (102)	147.33	+0.4	143.84	115.62	122.71	132.93	+0.7	2.17	146.76	143.10	115.17	121.59	131.97	188.62	141.24	175.81
Pacific Basin (713)	108.03	+0.1	105.48	84.78	89.98	86.56	+0.1	1.39	107.88	105.19	84.66	89.38	86.43	141.97	93.70	136.87
Euro - Pacific (1492)	117.47	-0.4	114.69	92.18	97.85	99.70	-0.2	2.55	117.92	114.98	92.53	97.68	99.87	145.21	113.60	138.79
North America (635)	169.98	-0.4	165.96	133.41	141.60	169.09	-0.4	2.90	170.66	166.40	133.94	141.41	169.72	170.66	156.70	161.57
Europe Ex. UK (552)	111.51	-1.4	108.87	87.52	92.89	98.88	-0.7	3.49	113.10	110.28	88.78	93.72	97.60	132.98	111.51	119.73
Pacific Ex. Japan (241)	155.61	+1.1	151.93	122.14	129.62	143.57	+1.1	3.67	153.98	150.14	120.86	127.58	141.97	175.31	140.00	149.36
World Ex. US (1683)	118.32	-0.4	115.52	92.86	98.55	101.61	-0.2	2.57	118.79	115.83	93.23	98.41	101.78	146.91	115.99	140.66
World Ex. UK (1978)	133.42	-0.4	130.26	104.71	111.13	120.17	-0.3	2.51	133.93	130.59	105.11	110.97	120.47	150.58	127.21	140.64
World Ex. So. Af. (2145)	136.24	-0.4	133.02	106.93	113.48	123.48	-0.3	2.72	136.77	133.36	107.34	113.32	123.80	153.05	130.04	142.93
World Ex. Japan (1733)	154.77	-0.5	151.11	121.47	128.93	148.84	-0.3	3.30	155.58	151.70	122.11	128.91	149.16	165.40	151.93	149.63
The World Index (2205)	136.11	-0.4	132.89	106.82	113.37	123.74	-0.3	2.72	136.64	133.23	107.23	113.21	124.06	153.70	130.68	143.80

Latest prices were unavailable for this edition. Japanese market closed November 23.